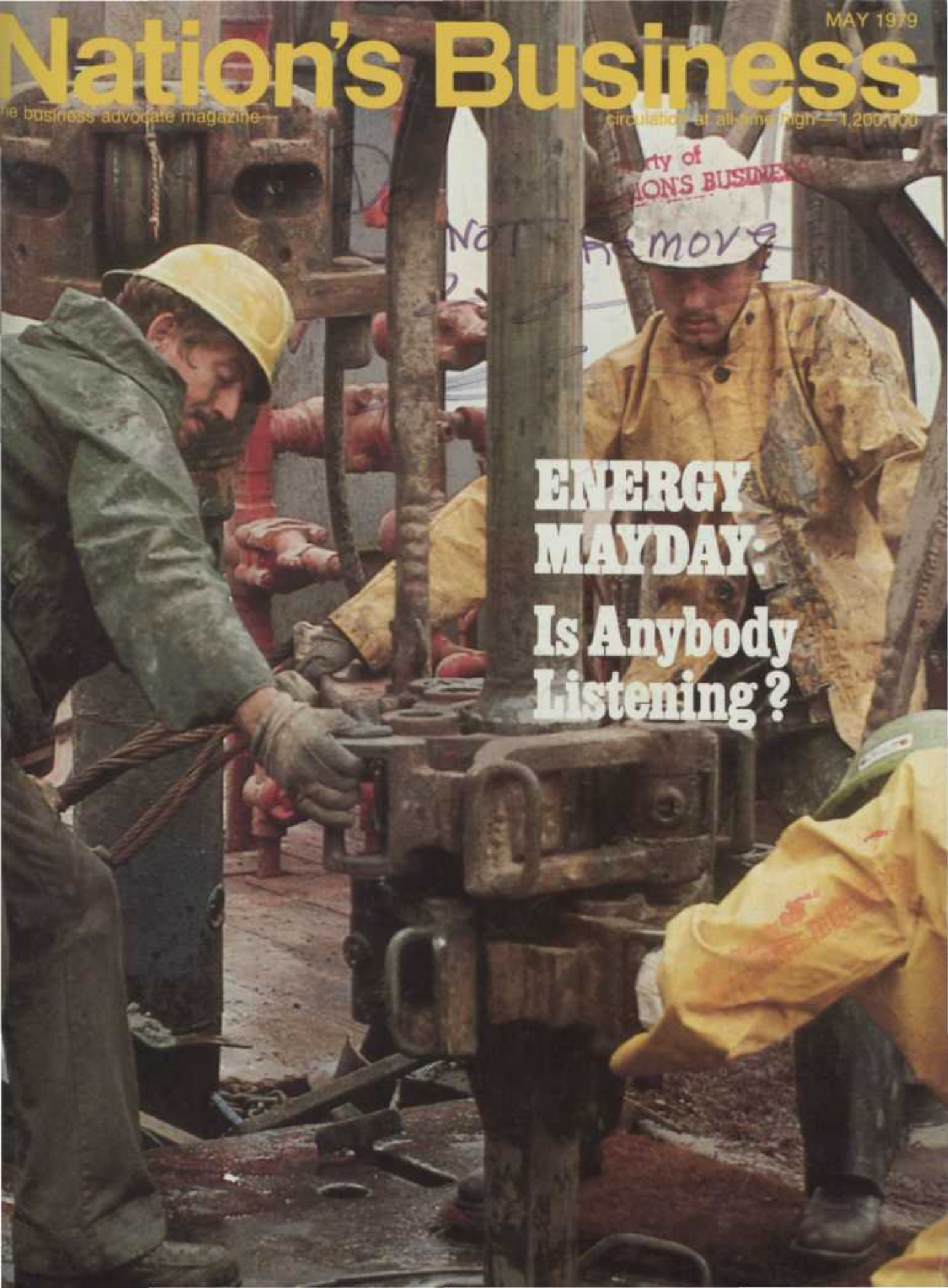
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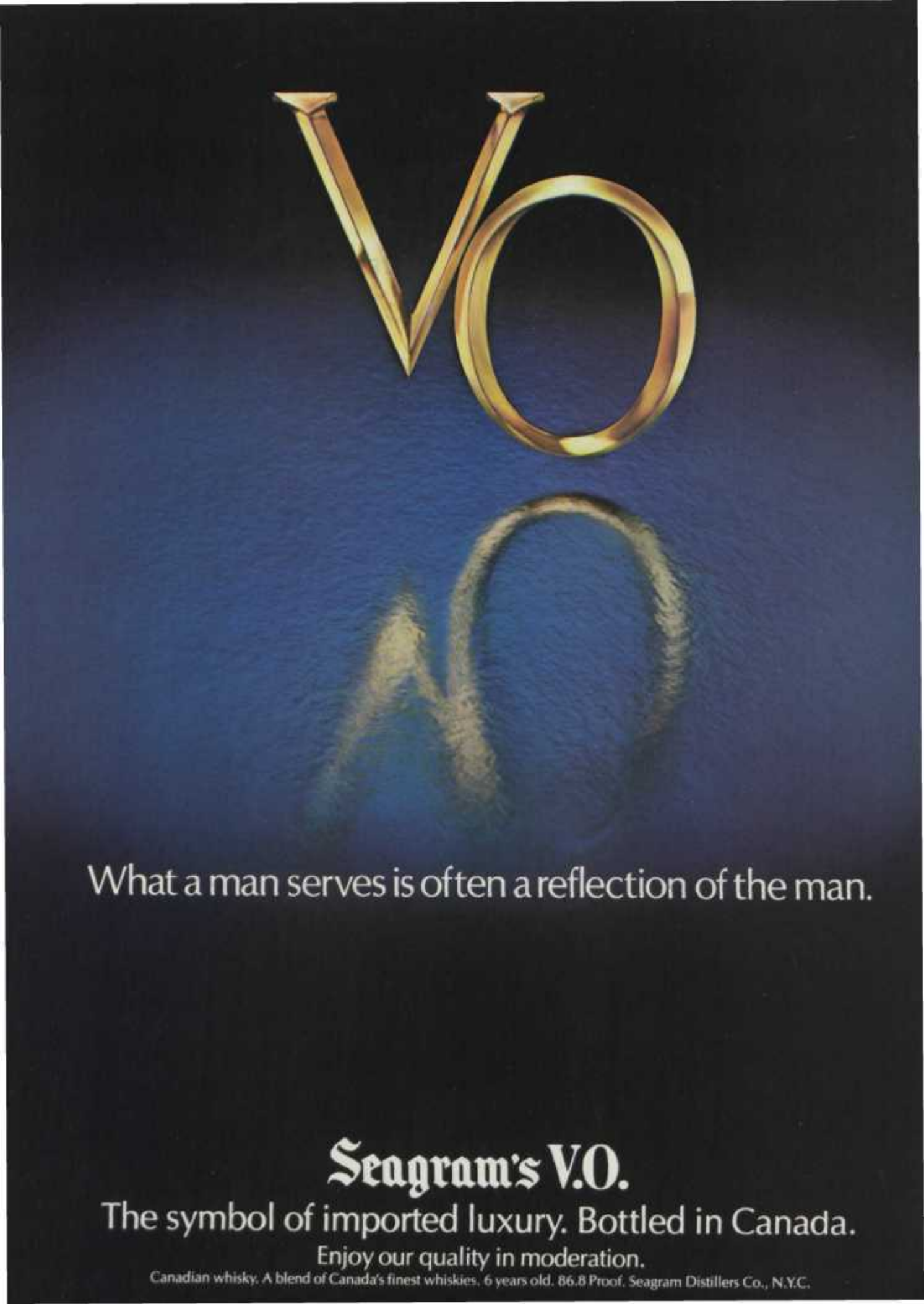
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Today the trucking industry is giving America the most efficient, stable, orderly and low-priced freight transportation system in the world. Our motor carriers are virtually a lifeline to every community in the country, especially the more than 65 percent of all U.S. communities that don't have rail service. This lifeline delivers the food, clothing, manufactured products, machinery and other goods vital to America's homes, businesses and industries.

Regulation in general has become a matter of current interest. Those who see airline passenger traffic increasing as a result of deregulation might question whether deregulation of the trucking industry would be beneficial. However, this is marching straight into the past to make the same mistakes all over again.

Lack of regulation didn't work for shippers or the public in the 1930s, and it won't work today.



Air cargo deregulation, for example, has not brought lower rates. This concept was touted on the basis that shippers would get more service at lower cost, but air freight rates have already gone up as much as 21 percent—instead of going down.

Additional freight will not be created because rates fall. Freight volume is a stable "commodity," pushed higher or lower by the state of the nation's economy.

If motor carrier service were deregulated, shippers would not always know what they would be charged. Nor would they know whether their rates were higher or lower than those of other shippers. It would be the same story that it was in the past with the early non-regulated trucking industry.

The modern American motor carrier system efficiently supplies more than 200 million people with all the things they need at minimal cost. It has kept pace with an ever-growing and changing economy. Let's not jeopardize this system.

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The Nation's Business

WASHINGTON LETTER

▶ THAT WINDFALL PROFITS TAX proposed by President Carter as part of his domestic oil decontrol plan has little chance of passing Congress.

That conclusion is supported publicly by Richard L. Lesher, National Chamber president, and Sen. Howard M. Metzenbaum (D.-Ohio), a member of Senate Energy and Natural Resources Committee. The senator said chance of passage of such a tax "is almost nil."

Oil producers should plan, however, to be prepared to put much of profit back into research and development. Congress may require proof of such activity.

▶ BATTLES IN CONGRESS are heating up over several issues affecting business.

Those issues: congressional campaign subsidies, Alaska lands lockup, Illinois Brick.

Here are the details:

▶ FINAL COMMITTEE ACTION expected by House Administration Committee early this month on congressional campaign subsidies bill.

Vote on House floor could come as early as end of this month.

Senate Rules Committee plans hearings on Senate version of issue about middle of May.

Legislation would subsidize congressional races with taxpayer money.

Business is opposed to the legislation, calling it incumbents' welfare bill.

Opponents say it would aid incumbents to detriment of challengers, would increase staff and power of Federal Election Commission, would move government further into election process.

▶ ALASKA LANDS LOCKUP fight shifts to Senate this month following very recent House action. Battle still centers on question of how restrictive lockup will be.

One way would allow competitive bidding for natural resources exploration; other way would end exploration outright.

Issue affects millions of acres.

Business, while opposed to any lockup at all, would favor less restrictive approach.

Sources say there is possibility hearings may begin before Senate Energy Committee this month.

▶ SENATE FLOOR VOTE possible this month on Illinois Brick legislation, say our sources.

House appears to be following just behind Senate on this particular issue. It currently is before House, Senate Judiciary committees.

Legislation would overturn Supreme Court ruling that only direct purchasers have right to sue alleged antitrust violators. It would open suits to everyone in distribution chain, including consumers in class-action suits.

Business contends legislation would only weaken courts' deterrent mechanism, threaten greater business intimidation.

ITEM: Testimony before Senate committee showed one business was intimidated into settling out of court for $5 million on price-fixing, class-action charge.

Firm had potential liability of $5 billion as long as suit was pending, found it could not get credit. It was forced to settle or face bankruptcy.

▶ NEW COMPENSATION PROGRAMS created by Congress spark concern even among some federal officials.

Programs fall under Redwood Expansion

Act of 1978 and Airline Deregulation Act of 1978. Both are set up to offer very liberal benefits to workers.

In case of redwood law, some laid-off workers actually can receive more pay than they were getting when working.

Bills were designed to assist workers affected by expansion of redwood forest and deregulation of airlines.

Language of bills so loose, however, that just about anyone laid off during qualifying period can get benefits for up to six years.

To date, more than $6 million paid out under redwood law; airline deregulation payments have not been set, but that's expected shortly.

▶ LIBERAL BENEFITS also offered to workers affected by congressional action in creating Amtrak and Conrail.

In fact, under Conrail legislation, employees with five years' service who were affected by the reorganization in 1976 are eligible for benefits to age 65.

One federal official sees same type of benefits possible under Alaska lands lockup legislation, trucking deregulation, and other congressional actions.

"If unemployment insurance is inequitable, maybe we should address the basic benefit instead of all these other programs. How much is all this going to cost us?" he asks.

▶ NOT ENOUGH QUALIFIED minority job candidates is biggest obstacle to meeting federal government's affirmative action goals for corporations.

That's from nearly half of respondents to survey commissioned by Milwaukee-based affirmative action consulting firm of Barnhill-Hayes, Inc. Questionnaire was mailed to 3,000 corporations. Response was ten percent.

▶ THE CENTURY OF CREATION is 21 years away, says Dr. Isaac Asimov, author-scientist.

All human knowledge will be kept in central libraries.

All human beings will have their own television channels with which to tap into central libraries. Ordinary work of society will be done increasingly by computers.

Society will become older, better educated. Competition as it is known today will end; instead, humans will compete by trying to contribute the best thoughts. These thoughts will center on bettering mankind.

It will be an exciting century, says Dr. Asimov, but there are troubles to overcome first.

▶ PROBLEM NO. 1 centers on the world's population.

"If the population continues at its present rate . . . in 100 years we will have a population of 25 billion people." Far too many, says Dr. Asimov.

But there's hope: "In Europe and the U. S., there are signs that zero population growth is possible," he says.

▶ MOST BIGOTED ASPECT of society is education, "because it assumes education is only for the young," says Dr. Asimov in citing another problem.

"As long as education is confined to the young, our civilization cannot progress.

"If we are to survive, we must completely reorganize our educational system and make it for all ages . . . for as long as people live."

He adds that education also must become interesting, that today it is viewed negatively.

Dr. Asimov was keynote speaker in Richmond last month at symposium on "Working in the 21st Century." It was sponsored by University of Virginia's Colgate Darden School of Business and by Wharton. Philip Morris, Inc., provided funding.

▶ CONSUMER PRICES would jump 1.5 per cent if all organized labor gets same pact as Teamsters.

That's according to National Chamber economists. In dollars, it would cost average U. S. household $250.

NOTE: Wage-price guidelines even more unbalanced after administration's bending to fit Teamsters' pact; it appears scales are tipped against business and consumers.

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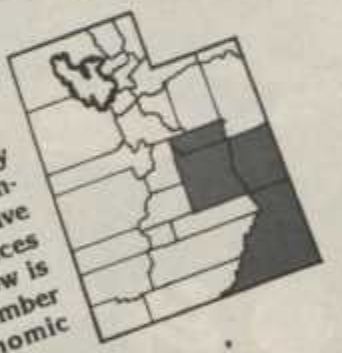


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New Managers Need to Be Heavy Hitters

By Stanley Adler

PHOTO: PETER ANGELO SIMON—PHOTO RESEARCHERS INC.



The new manager should concentrate on the unit's key asset. For example, a product might be matched or outstripped by the competition, but the firm has a dozen super salespeople. A smart manager concentrates on keeping them.

YOU'RE taking over as unit manager of the Cosmic Widget Co. What should you do first, and how long have you got to do it?

To ensure his own personal success and that of his operation, a new unit manager should define the unit's strengths, evaluate people carefully, and then act decisively, all within about six months.

If an incoming manager waits much longer, he will lose some of the inherent advantages of being new. After six months, it is his year, not his predecessor's.

A common pitfall of a new manager is to immerse himself in the minutiae of the business. Sometimes this happens because of a genuine, though misguided, feeling that he must learn everything from the ground up. Sometimes it occurs when a new manager feels unable to cope.

Most business operations contain one—or perhaps two—areas of primary strength, the focal point. It may be marketing, production, technology, finance, or something even less tangible such as a service company's courteous manner at the counter.

The focal point of the business has the single greatest influence on bottom-line results. The new manager must find this point. Otherwise, he is likely to waste time and energy on activities far less relevant to success.

How is the focal point located? In dealing with a subsidiary, a new manager should not assume the operation's strengths are the same as those of the parent. A parent corporation may boast tremendous production as its critical asset yet acquire subsidiaries for such strengths as proprietary technologies, preferred market position, or even certain personnel capabilities.

Clearer picture

One way a new manager can find the focal point is to listen to what is being said in the marketplace. What characteristics are most frequently associated with his unit? Design? Merchandising? Durability? Performance? Money? Sometimes, outsiders have a clearer picture of an operation's principal strengths than those on the inside.

The best internal sources of the focal point are the income statement and balance sheet. A new manager should study operation results and determine how individual disciplines affect each other and performance as a whole.

By testing the relative impact of each facet of the business, a manager can form a good idea of his unit's key assets. Having done this, he should concentrate on those assets; they are the key to his success.

For example, one company's product may be matched or outstripped by the competition. The company's financial terms and delivery are no better than average for the industry. Yet the com-

MR. ADLER *is president of the Western Manufacturing Co. and Change-O-Matic Corp., Lake Success, N. Y.*



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Max Karl, Chairman, Mortgage Guarantee Insurance Corporation; "We've seen Milwaukee's steady rise. It's taller and better than ever, and we're going to help it continue. We believe in staybility."

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pany is a leader. Why? Because it has half a dozen super salespeople who dominate the field. The smart unit manager will concentrate on keeping those salespeople.

The clean slate may be one of a new unit manager's biggest advantages.

Every organization has weaknesses and problems that are perceived by a new manager. Sometimes an incoming executive, spotting obvious deficiencies, may conclude that his predecessor and the key people in the unit are incompetent. This is unrealistic. His predecessor may have been aware of the problem but, hampered by personal relationships, was unable to resolve it.

A new manager can use his newness to locate obsolete inventory, close inefficient offices, or spot slow production lines. This is easier to do early than late. If a manager tolerates problems too long, they become his problems, not ones he inherited. Moreover, his own vision may become as clouded as that of the individual he replaced.

Ridding an organization of outmoded policies and unprofitable operations can be a touchy undertaking, especially if the new manager is reporting to his predecessor. The situation may be delicate, but it is not impossible.

An incoming executive should first establish the kind of friendly relations with his predecessor that will encourage him to say: "You ought to take a look at the receivables situation. I wanted to do something about it, but my hands were tied."

Goals and strategies

The best way to formulate the right personnel decisions is to concentrate on objectives. Having determined the unit's focal point, the new manager will set goals and choose strategies to maximize that strength. Next, he will figure out the staff best able to execute those strategies.

Some managers tend to underestimate people after the first week or so and then overestimate them after three months.

Few incoming executives want to wield the ax during their initial days on the job, and this is just as well, for they avoid hasty negative decisions about people. However, the real danger comes later.

Part of the problem is that after three months the new boss has gotten to know his subordinates. He knows that Mr. Jones may not be too bright, but he is a nice guy, and he works hard. And so the new manager makes the same mistake as his predecessor: He keeps someone who is a drag on performance.

The best procedure is to measure the personnel situation over six months or so and then act decisively. This is a pretty good rule of thumb except when firings are obvious.

A manager who takes advantage of the clean slate is not focusing primarily on employees but rather on policies, procedures, and plant equipment. If part of the operation must be curtailed, some jobs may have to be phased out as well.

Personnel priorities

In establishing his team, a manager should proceed as quickly as possible. If he has concentrated on his unit's objectives and the job strengths needed to achieve them, he will have firmed up his personnel priorities by the time he gets close enough to subordinates to feel squeamish about sidetracking or firing them.

In summary, the new unit manager must find the focal point, capitalize on the clean slate, evaluate people, and then act, all within six months. After that, it's his ball game. □



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INDUSTRY UPDATE

Isobutane May Help to Close the Energy Loop



Tapping abundant sources of geothermal energy such as the nation's hottest well in Hawaii is the objective of Energy Department demonstration projects.

GEOTHERMAL POWER is expected to contribute about three percent of the nation's total electric generation by 1990 as a result of energy projects that are either now under way or on the drawing board.

One such project is a $6.68 million thermal loop facility that will be built in the Raft River Valley in Idaho by EG&G Idaho, Inc., Idaho Falls, for the Energy Department.

Part of a planned five-megawatt pilot plant for generating electricity, the thermal loop facility will demonstrate the technical feasibility of using a binary cycle for controlling corrosive, moderate temperature geothermal water from the earth's depths as it heats a noncorrosive fluid, isobutane. The isobutane expands when heated and becomes the driving force for a $1.2 million turbine generator.

According to an EG&G Idaho spokesman, the project is on schedule. "The plant will provide a working model to

continued on page 108A

Sorry, Mr. Kilpatrick, but Retrocession Is a Nonstarter

James J. Kilpatrick's column on the District of Columbia Voting Rights Amendment ["Why Not Give the District Back to Maryland?" March] accepts the principle that D. C. residents deserve representation in Congress.

Unfortunately, Mr. Kilpatrick opposes the specific constitutional amendment that would implement this principle. He suggests that instead of allowing the District to elect its own senators and representatives, representation should be achieved by giving the District back to Maryland, whence it came in 1788.

The fallacy of this retrocession is that, two centuries later, there are simply no cultural, community, or similar ties to justify returning the District to Maryland.

There is no hint that either Maryland or the District would even give the time of day to retrocession. We might just as well try to attach the District to Virginia or Massachusetts.

As a practical alternative, retrocession is a nonstarter. It relies on an antediluvian precedent and amounts to rejection of the principle of representation in Congress for the people of the District.

A much more recent precedent is available. In 1961, the nation adopted the 23rd Amendment, giving the District the right to vote in presidential elections. There was no effort at that time to tie the District to Maryland.

Allowing D. C. residents to elect their own representatives to Congress is the only fair and practical way to end taxation without representation and other injustices imposed on the District. D. C. residents should have the same rights enjoyed by all other citizens in our democracy.

EDWARD M. KENNEDY (D.-MASS.)
U. S. Senate
Washington, D. C.

Little light

James J. Kilpatrick's observations about congressional representation for the District of Columbia add little light to a complex situation. It is too bad that his views had to be circulated to your 1.2 million readers without comments by some of us who actually live here, own businesses here, and pay taxes here.

His comparison with Arkansas and Iowa on aid to dependent children ignores fundamental differences between the composition of the populations of D. C. and those states.

The statement that two thirds of us either work for the government or in parts of the private sector that depend on government is pejorative; who would expect the nation's capital to be otherwise? Why not mention, instead, how many more men we sent to Vietnam than many states or the number of states we exceed in income tax payments?

Mr. Kilpatrick should know better than most that much of what we are (and are not) in the District of Columbia today is the result of more than 100 years of congressional rule, with no voice of our own in Congress.

To suggest that our deficiencies should now disqualify us for full representation in Congress evokes the old story of the boy who murdered his parents and then pleaded for mercy on the grounds that he was an orphan.

WARREN BLANDING
Marketing Publications, Inc.
Washington, D. C.

City states?

James J. Kilpatrick's column in the March issue shares a thought that I've had for some time.

I am certainly not in favor of deny-



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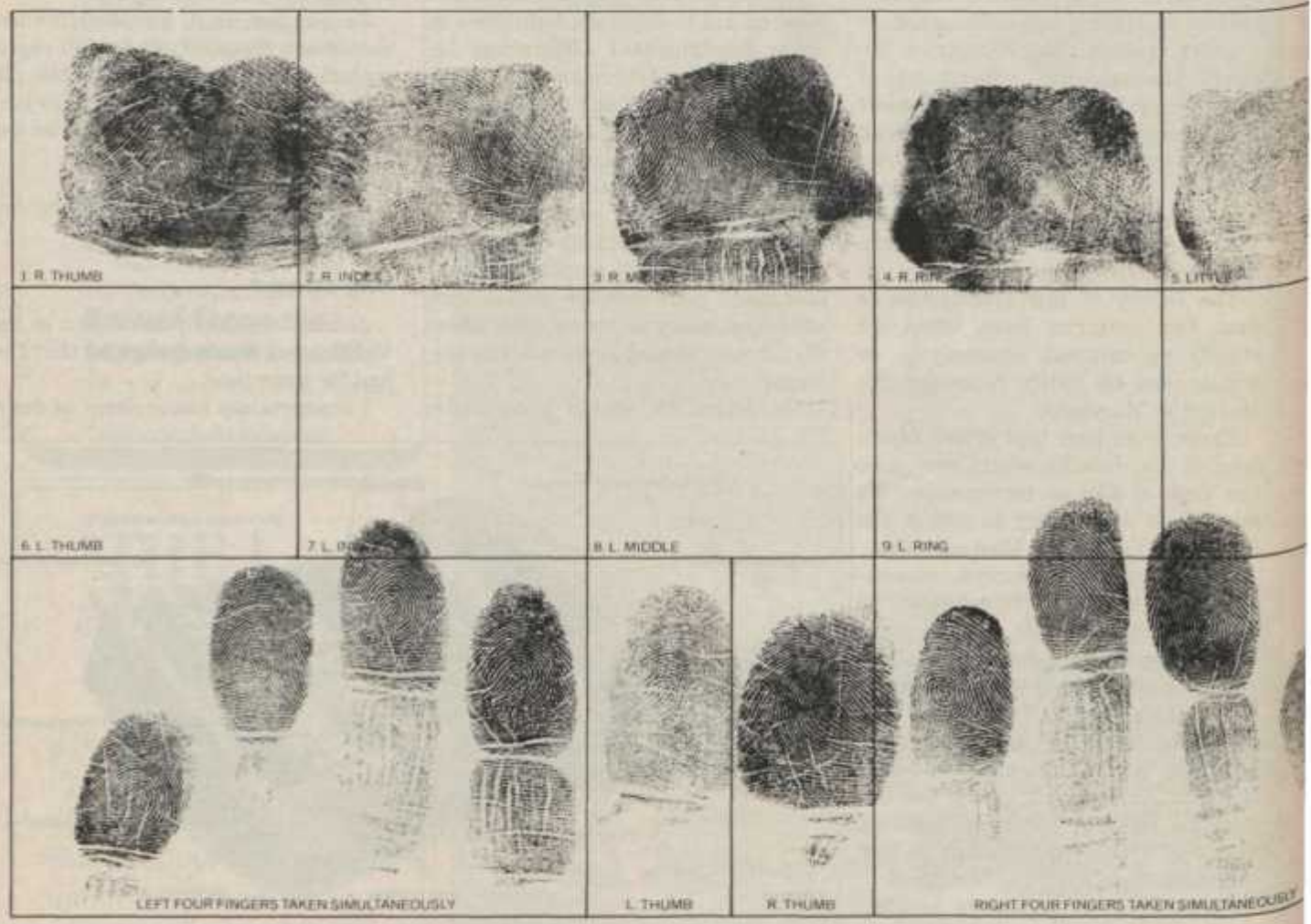
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ing the people of Washington, D. C., the rights of all other citizens of the United States. However, I am opposed to creating a state out of Washington, because it would exert undue influence in Congress.

By joining Maryland, the District's people would have voting rights and would be represented in Congress and the statehouse.

If D. C. became a state, other large cities such as New York, Philadelphia, Detroit, Chicago, and San Francisco would probably want to do the same thing. Then, we would really have a mess.

DAVE McCURRACH
Executive Vice President
National School Supply & Equipment Association
Arlington, Va.

Lip service

Where in the world did you get the ridiculous notion that information required of small banks by the regulatory agencies had been reduced by 40 percent ["Nation's Business Outlook," Feb.]? It sounds good, but it just isn't true.

Not only has the regulatory burden not been reduced by any percent, it has been substantially increased. The requirements of the Community Reinvestment Act have placed a great additional burden on all banks even though that was clearly not the intent of Congress.

The cost of over-regulation is one of the major causes of inflation. The Carter administration gives lip service to cutting regulation but has been adding to the burden in many ways.

The thing that is so frustrating is that everybody talks about inflation and over-regulation, but nobody does anything about it.

REX G. PLOWMAN
President
Lewiston State Bank
Lewiston, Utah

A good sport

You cited a study which concluded that both parents and children want athletic competition in their communities ["The Games People Play—and Pay to Watch," March]. While I am sure that is the case, I disagree with Dr. Vern Seefeldt from Michigan State University who said: "When schools cancel organized sports, community groups usually fill the void."

In the wake of Proposition 13 and similar measures, communities are not filling the void of canceled sports programs in school districts.

But therein lies an opportunity for business to get involved. Not only is this good corporate citizenry, it is also good marketing. Communities receive the programs they want and need but cannot afford; companies receive visibility and good will by sponsoring these athletic programs.

MITCH HEAD
Account Executive
Ketchum, MacLeod & Grove, Inc.
Pittsburgh, Pa.

Universal fingerprinting

The Oscar Pieper article ["Fingerprint System Spoils Check Fraud," March] is excellent. A fingerprint is as old as life and a positive identification. There never have been and never will be identical fingerprints.

Fingerprints taken by Mr. Pieper's method or in any other inkless form can deter individuals from forgery and fraud in unemployment compensation, welfare benefits, wills, insurance, licenses, and credit.

A single fingerprint system can be devised and every person's fingerprint can be identified through a central bureau as easily as a social security number. Universal fingerprinting is the only solution.

JOSEPH D. SCHNEEWEISS
Hollywood, Fla.

No confidence

I just read the article quoting Sen. Gaylord Nelson regarding his activity as chairman of the Small Business Committee ["Champions of Small Business Cross Swords on Some Issues," Feb.].

Sen. Nelson will never do anything for the small businessman. In fact, during the last Congress, he voted against small business legislation 98 percent of the time.

I suggest that you as a business publication ignore all future quotations by Sen. Nelson.

DALE C. CANNON
Rib Mountain Builders, Inc.
Schofield, Wis.

Economic necessity

I found Dr. Jules Backman's description of the working woman amusing ["Working in the 1980s: Less Unemployment, Fewer Opportunities," March].

Dr. Backman, a research professor of economics, labeled the women's movement of the 1970s the social phenomenon of the working woman.

As a blue-collar member of the labor force, I believe the correct description

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The Mercedes-Benz 240 Diesel– is it the world's finest economy car, or is it the world's most economical fine car?

Best EPA mileage figures in its class, yet first-class finish inside and out. So frugal-minded that a manual shift is standard, yet so Mercedes-Benz that 4-wheel independent suspension, 4-wheel disc brakes, even a quartz-crystal chronometer are standard, too. The 240D may be hard to classify, but the following 12 sales points make its amazing worldwide success very easy to understand.

1. The 240 Diesel is the most *affordable* Mercedes-Benz sold in America, over $5,000 lower in price than the next model in the line. But no engineering corners cut; for your money, you get pure Mercedes-Benz.

2. Based on official used car prices over the past five years, Mercedes-Benz cars retain their value better than any fine car built in America. This includes the 240 Diesel.

You can buy or lease this car, warmed by the knowledge that Mercedes-Benz sedans over a three-year span have retained up to 80 percent of their value.

Estimated mpg: 30

3. The 240D's four-cylinder, 2.4-liter Diesel engine is a marvel of efficiency. It not only sips the cheapest automotive fuel you can buy, but sips it at the most miserly rate of any car in its EPA class.

The number: an estimated 30 mpg.

This is the U.S. Environmental Protection Agency estimate for a 240D equipped with a 4-speed manual transmission. *Remember*: compare this estimate to the "estimated mpg" of other cars. You may get different mileage, depending on how fast you drive, weather conditions, and trip length.

To dramatize the benefit: you could actually think of tanking up in New York and driving the 233 miles to Washington, D.C. And back to New York again. And still have enough fuel left to ramble around town for a while.

The expenses that aren't there

4. As a Diesel, the 240D is designed to outflank many of those nickel-and-dime repairs and adjustments that can bedevil a gasoline engine and drive its maintenance costs up.

Think of what you've spent over the years on carburetor adjustment, spark plug replacement, on points and distributors and condensers.

Then think about the 240D, which *has* no carburetor or spark plugs or points or distributor or condenser.

5. Like its engine, the 240D's body is designed and built with the long haul in mind.

Almost 80 pounds of the car's weight consists of anti-corrosion protection, including five coats of primer and paint.

None of the traditional Mercedes-Benz quality touches is skimped. *Examples*: the additional plasticized layer of primer, sprayed over the entire lower part of the body just to protect the paintwork from flying gravel; the special anti-corrosion wax, injected deep into body crevices.

The nuts & bolts that aren't there

6. On the intelligent theory that a well-made car is more likely to hold up in the long run, the 240D is built as a rigid, monocoque shell and welded at 4,786 points.

Body and frame are one. This helps save weight, which in turn can help save fuel. And monocoque construction also helps make the 240D notably strong and solid.

7. Unlike most fine cars today, the 240D doesn't force luxury extras on you. You can equip this car exactly as you want, from simple to sumptuous.

Mercedes-Benz thinks power-assisted steering and brakes are too vital in minimizing driver fatigue to be omitted. But air-conditioning, electric windows and other conveniences are up to you. Omit them if you insist on maximum fuel efficiency. Or order them as extra-cost options if you don't.

The 4-speed manual lives

8. The 240 Diesel is one of the very few cars in the "fine car" field that provides a 4-speed manual transmission as standard equipment.

The purpose is efficiency – less power lost between engine and rear wheels. And economy – lower initial cost.

If you don't choose to emphasize efficiency quite so much, a 4-speed automatic transmission is available at extra cost.

Tuned seat springs

9. Economy car or not, the 240D puts great stock in making you comfortable. The engineers think this helps make you more alert.

Those firmly upholstered front seats can be adjusted for height and fore-and-aft travel. You can angle the backs from near vertical to almost horizontal. Their springs are tuned to the suspension of the car – the aim, to help reduce fatiguing minor oscillations.

Lavish engineering, standard

10. The engineering expertise you admire in the costliest Mercedes-Benz models is not watered down in the 240 Diesel.

Carried over into the 240D is a fully independent suspension system, with zero-offset steering for straight-line stability in hard braking.

The shock absorbers are gas-pressurized to help muffle minor bumps, and four-wheel disc brakes are fitted as standard.

The costliest Mercedes-Benz models boast a central vacuum system that simultaneously locks or unlocks all four doors, the trunk lid and the fuel filler port with one twist of a key in the driver's door. And so does the 240 Diesel.

11. The 240 Diesel renders all its efficiencies and economies without depriving the driver of the performance needed for today's traffic conditions.

Last, but not least

12. The 240D comes equipped with no fewer than *120* built-in safety features.

This is precisely the number of safety features built into the costliest Mercedes-Benz models.

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should be economic necessity. When a young woman realizes that she may "work" for a man in a marriage for 30 years only to be left with a pittance of his social security if they divorce or he should die, it becomes an economic necessity for her to seek a take-home-pay job.

The nation's inflation rate has increased so drastically that economic necessity forces a woman to seek work. When a young woman's husband deserts her and their children and she seeks work, it is an economic necessity. The alternative is welfare.

Perhaps the legislators of those states which have not yet ratified the Equal Rights Amendment share Dr. Backman's viewpoint. I believe some legislators really believe that women's suffrage and the black slaves' quest for freedom were social phenomena, too.

JEANNINE J. WHITLOW
Civil Rights Committee Chairperson
Sub-District 3, District 38
United Steelworkers of America
Antioch, Calif.

Wrong word

Having spent many years of my life doing secretarial work, I resented Mr. Mullen's use of the word secretaries in his remarks ["Look—a Lot—Before Leaping," page 74, Feb.].

I do feel he should have used the word typists; a machine may eliminate a typist but not a good secretary.

MRS. ANTHONY J. SMITH
Fairlawn, Ohio

The $64,000 question

I have looked at about 60 issues of your publication (1974-1978), finding them attractive and well-written.

However, the business world seems to be one in which profit is the major standard of evaluating success. Business's biggest problems seem to be union demands and government interference.

More disturbing, consumerism gets little attention. Consumers—that is, all of us—do have some legitimate complaints about the excesses of some companies. But I find these problems glossed over in NATION'S BUSINESS.

I have the feeling that business wants to ignore complaints in the hope that they will go away. But consumers in the future will organize and become more (not less) vocal.

The ultimate question is: Does business have any obligations beyond making a profit?

HUGO BORRESEN
Edinboro, Pa.

BY JAMES J. KILPATRICK

SALT II Is No Salvation

I WORK OUT of an office near my home in the Blue Ridge Mountains of Virginia. On a quiet spring afternoon, the countryside provides one of the loveliest, most peaceful vistas in the world. With the dogwood and redbud in blossom, the hills are nursery white and pink. Overhead an April regatta of clouds is tacking by. On this particular afternoon my desk is piled high with material on the Strategic Arms Limitation Treaty talks. I am reading a back issue of *Strategic Review* about the Trident I (C-4).

"It is primarily a candidate for expedient deployment in a multiple aim point basing mode as an interim system prior to an MV or other advanced missile deployment," says one article.

Next I read an essay by Eugene V. Rostow, "The Case Against SALT II."

"The United States has tested 3 RVs on Minuteman III, and the Soviet Union has tested 4 RVs on the SS-17, 6 RVs on the SS-19, and 10 RVs on the SS-18."

THE THICK FOLDER bulges with statements by Paul H. Nitze in opposition to the pending treaty and with statements by Paul Warnke in support of the treaty. Here is a graph depicting "Time Urgent Counter Military and Soft Target Destruction Potential." From this it appears that by 1985 the Soviet Union will have a ten-to-one advantage in total ICBMs and SLBMs. Another study puts the Soviet advantage at no more than six to one by 1985, but this "major disparity in first-strike capability" obviously works in favor of the Soviets. "President Ford's policy of deploying a large throw-weight missile with 10 RVs in a survivable basing mode beginning in 1983 would have significantly reduced this disparity."

It is no use. The jargon of strategic experts long ago became incomprehensible to me and, I am certain, to most of the U. S. Senate. This is not because the vocabulary is intrinsically difficult or because the particular weapons, once described, cannot be envisioned. It is because we are dealing with a prospect that the mind rejects as surely as the body rejects alien tissue. The prospect is the virtual annihilation of civilization, death and destruction beyond our imagination. At the first blinding glimpse into the abyss of thermonuclear warfare, we recoil in disbelief and horror. How much better it is to discourse on MIRVs, RVs, throw-weights, and basing modes. What in the hell are we talking about? More to the point, what is the hell we are talking about?

These questions, it seems to me, have gotten altogether lost as the debate over SALT II gains momentum. We are so mesmerized by tables and charts and comparative tabulations that the figures have ceased to have meaning. The treaty debates promise little more than an exercise in counting trees; we will seldom see the forests. It is as if the senators were actuaries, calculating deaths by auto accident in 1981; they do not hear the shattering glass, the breaking bones, the cries of pain. The whole idea of a treaty on arms limitation is to render nuclear war between the United States and the Soviet Union unthinkable. We ought to think upon these things, and having thought, inquire if the treaty will make matters better or worse.

Not long back I asked the Defense Civil Preparedness Agency, a part of the Defense Department, to send me a little background material on what nuclear war is all about. Among the publications that



turned up was a futuristic scenario written in 1976, hypothesizing nuclear war in 1979. The author, William M. Brown, imagined that Syria and Egypt had joined forces to make war on Israel; the Soviet Union, by way of diversion, had closed the autobahn to West Berlin. Late in June, Soviet and NATO tanks engage in battle; hostilities escalate until tactical nuclear weapons are deployed in Europe. On August 23, the United States launches Polaris missiles against the Soviet Union. On August 26, the Soviet Union responds with a nuclear attack on certain unidentified U. S. cities.

WHAT ARE we talking about? Mr. Brown, the contriver of this fantasy, kept his imagination under iron control. He supposed that most cities had managed an orderly evacuation to the countryside—a considerable feat of imagination in itself—but that 12 million people had refused to leave their homes. These 12 million die in the first bar-

rage of nuclear explosives. Within 30 days, another 12 million die, and 16 million suffer severe injuries. Mind you, this is the brightest, most cheerful scenario that Mr. Brown could put together; most of his people escaped.

LET US CONTEMPLATE the scene more closely. The thermonuclear bombs that hit New York City turn Manhattan into an inferno of charred bodies and crumbling buildings. No bridges or tunnels remain in operation. Electric power has disappeared. Water and sewer mains have ruptured. Survivors of the attack, trapped in subway shelters, dare not come to the surface. Over battery-operated radios they hear of identical devastation in Philadelphia, Baltimore, Washington, Hampton Roads, Miami, Houston, Chicago, the West Coast. The dead cannot be buried; the injured cannot be treated. None of the systems we take for granted—the systems that deliver food, fuel, medicines, drugs, retail goods—*none* of these is working.

In Mr. Brown's little drama, the buildup of tensions has proceeded slowly. Doubtless, it would happen this way. Even so, the removal of millions of people from city to countryside presents problems that scarcely can be grasped. How are these migrant families to be fed and housed? How are they to be employed and compensated? What becomes of the banking system? How is gasoline to be refined and distributed? Who fixes priorities on restoring essential services? What of governments, elections, public offices, the repair of highways, the remaking of public records, the maintenance of law and order?

Almost no one thinks upon these things any longer in the United States. There was a time when we heard much talk of fallout shelters and stockpiles of food. We had civil defense drills, tests of local sirens. All of that has gone by the boards. Except for an occasional test of emergency equipment by a radio station, no reminders remain of the fears that once aroused public apprehension.

President Carter has created a new Federal Emergency Management Agency to take over the functions of two former agencies; it will have 1,458 employees and a $129 million budget, mainly channeled into matching grants to the states. The Soviet Union, we hear, takes civil defense seriously. Until the Harrisburg incident toward the end of March, when many people suddenly developed an awareness of radioactivity, the prospect of evacuation to avoid atomic hazard seldom had occurred to anyone.

VERY WELL. The scenario could be vividly, brutally expanded. The point is that some such degree of bloody chaos lies behind the enameled surface of the Senate debate. This is what the treaty is intended to prevent. Will the treaty work toward that end? Will the United States be more secure with the treaty than without it? Should the instrument be ratified?

To these rhetorical questions my own answer is no. If I were sitting in the Senate, I would vote not to ratify the treaty.

When it comes to their own survival, and that is precisely what we are discussing, nations must be free to act upon their own volition. They cannot wait upon the meeting of a committee or the interpretation of a clause.

The United States tends to take treaties seriously. Under the Constitution, treaties constitute a part of the supreme law of the land. Except for the 19th-century treaties with Indian tribes, which we dishonored, to our shame, the United States has met its treaty obligations. We would live up to SALT II. Ours is a relatively open society; it would be impossible for a president and a congress to violate the treaty terms significantly.

It is nonsense—dangerous, puerile nonsense—to suppose that the Soviet Union would regard an arms limitation treaty as anything more than a cynical scrap of paper. In the folder on my desk is the text of the Helsinki Declaration of August 1, 1975. What a beautiful thing it was! It committed the signatory states to the most marvelous goals—to "respect for human rights and fundamental freedoms," to "equal rights and self-determination of peoples," to the "reunification of families," to freedom of travel, freedom of information, to the right of nationals of different states to marry.

AND THE INK was not dry on the Helsinki accord before the Soviet Union trampled this pretty flower to bits. If the Soviets disdain so innocuous a treaty, why should we suppose they would honor a treaty involving survival itself? The question answers itself, and it is almost immaterial that as far as our government has advised us, the Soviets have not violated SALT I. Considering their prodigious gains in strategic weaponry, one perceives no reason for the Soviets to have done otherwise. But the danger in placing our reliance upon SALT II is not so much that the Soviets will violate the provisions; the danger is that the Soviets will abide scrupulously by them.

In either event—Soviet perfidy or Soviet fidelity—the peril is the same: This treaty would lock the United States into an inferior position. We would have forfeited our independent, unfettered judgment of what is best for us.

It seems to me that Mr. Carter, or whoever succeeds him in the White House, cannot prudently be bound by the numbers and kinds of weapons that would be fixed by the pending treaty. What does it mean that we could have 2,250 intercontinental ballistic launchers? Suppose 1,500 are enough? Or only 500? Or suppose the permissible number, in our own self-interest, ought to be doubled? If the best judgment of professional military leaders calls for a B-1 bomber, a cruise missile, or some other weapon not yet perfected, a president should be free to do what he thinks best, asking not the consent of Moscow but only the consent of Capitol Hill.

I CANNOT IMAGINE a nuclear war that would lay waste these green mountains, annihilate our people, imperil mankind itself. If I were convinced a SALT II treaty would protect our security, I would be beating tom-toms for it. But the treaty strikes me as a delusion and a trap. I would rather see our country go its own way, walking softly, and carrying a stick as big as we think that stick should be. □

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'I didn't sacrifice great flavor to get low tar.'

"The first thing I expect from a cigarette is flavor. And satisfaction. Finding that in a low-tar smoke wasn't easy.

"But then I tried Vantage. Frankly, I didn't even know Vantage was low in tar. Not until I looked at the numbers.

"That's because the taste was so remarkable it stood up to anything I'd ever smoked.

"For me, switching to Vantage was an easy move to make. I didn't have to sacrifice a thing."

Peter Acceta
New York City, New York



FILTER 100's: 10 mg. "tar", 0.8 mg. nicotine, FILTER, MENTHOL: 11 mg. "tar", 0.8 mg. nicotine, av. per cigarette, FTC Report MAY '78.

Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.

Vantage

Regular, Menthol and Vantage 100's.

OUTLOOK

THE ECONOMY

Report to Congress Urges Conservatism

The new conservative bent of Congress has received the official seal of approval from the Joint Economic Committee.

The committee, which is Congress's economic sounding board, has issued a report that recommends conservative economic policies to spur productivity and business investment while giving top priority to fighting inflation.

The report calls for legislation to provide incentives for greater savings and new investment. It also calls for increased funding of research and development to create more private jobs.

The committee's fiscal conservatism is largely due to its new chairman, Sen. Lloyd Bentsen, a Texas Democrat. Sen. Bentsen's economic philosophy is radically different from that of his two predecessors, Rep. Richard Bolling (D.-Mo.) and the late Sen. Hubert Humphrey (D.-Minn.). The 1979 report is the first one in 20 years that all committee members signed.



JEC: A conservative tone is set by Chairman Lloyd Bentsen. (L-R) Rep. Clarence Brown, and Sens. Bentsen, Edward Kennedy, William Proxmire, and Jacob Javits.

Small Firms Accused of Ignoring Guidelines

President Carter's chief inflation fighter, Alfred E. Kahn, is railing at business for failure to "come anywhere near to uniform compliance" with the administration's price guidelines.

Mr. Kahn, chairman of the Council on Wage and Price Stability, conceded that he had heard "many heartening expressions of support" from the biggest, most visible companies, but, he says, smaller companies "less exposed to scrutiny from Washington" are not complying at all.

A spokesman for the National Association of Purchasing Management says the administration's guidelines may "offer incentive for some price increases not actually needed."

A survey of members shows that some suppliers are establishing price increases early under the guidelines, perhaps in anticipation of mandatory controls.

The council is increasing its efforts to monitor price compliance by asking small firms that operate within the 12 major product groups to provide pricing information.

The action is in response to the continued rise of wholesale prices, a spokesman says. He added that smaller firms—those with annual sales between $4 million and $250 million—are guilty of widespread noncompliance with the administration's guidelines.

The 12 major product groups are meat packing, beer, tobacco, bakeries, drugs, chemicals, cement and gypsum, plywood, batteries, textiles, shoes, and tires.

Finally, Guidelines for Banks Are Issued

Anti-inflation profit standards for financial institutions have finally been issued by the Council on Wage and Price Stability.

The institutions may choose between limiting their profits on either rate of return on assets or equity. Institutions that cannot use these methods may limit dividends on stock to a seven percent increase and maintain existing service charges to customers.

The dual standard is necessary because many financial institutions cannot meet a straight rate-of-return guideline. Most banking businesses base their profits on the spread between interest rates paid to depositors and interest rates paid on loans.

Interest rates are exempt from the guidelines because any attempt to limit them would interfere with Federal Reserve monetary policy.

CORPORATIONS

Inflation Results in No Gain, More Taxes

Inflation has wiped out all the gains business made through tax reduction, accelerated depreciation, and investment tax credit measures enacted since 1954.

That's the conclusion of a report by the National Bureau of Economic Research, which found that in 1977 owners of corporate capital in the United States paid an extra $32.3 billion in taxes because of inflation.

According to the report, two thirds of the return on corporate capital was paid out as taxes, and taxes on corporate income were 50 percent greater than they would have been without inflation.

This happens, according to the report, because inflation overstates corporate income by understating the true cost of replacing plant, equipment, and inventory at inflated prices. This effect alone added $54.3 billion to taxable profits in 1977 and resulted in

an estimated $26.1 billion in additional corporate taxes.

The lower real after-tax return on corporate capital may reduce the rate of capital formation, shift the remaining investment toward residential real estate and consumer durables, and misallocate capital among different industries, the report concludes.

Traders at Odds With SEC Proposals

Don't expect to see a return to stock options trading soon.

While a task force of option traders is drawing up a plan to reform their methods, the Chicago Board of Options Exchange says the exchanges won't go along with some of the major recommendations of the Securities and Exchange Commission.

The SEC ordered the exchanges to formulate a plan to curb abuses in options trading before they could resume trading. There has been a moratorium since mid-1977.

Edward F. Neild III, chairman of the Chicago exchange, says the task force will probably agree on recommendations within six months, but it is unlikely its recommendations will agree with the SEC's.

According to SEC Chairman Harold Williams, "99.6 percent of the SEC recommendations are not negotiable."

Before the moratorium, stock options were traded on the Chicago, American, Philadelphia, Midwest, and Pacific exchanges.

AGRIBUSINESS

Bill Would Promote Energy From Corn

Legislation that would pay farmers to produce excess corn instead of letting farmland lie fallow has been introduced by Rep. Berkley Bedell (D.-Iowa).

The National Fuel and Farm Commodity Production Act calls for the establishment of an alcohol fuels industry by eliminating existing production controls and earmarking at least ten percent of output as feedstock for the industry.

Initially, the program would apply only to corn but could be expanded to include other grains.

Under the bill's provisions, the government would pay qualifying farmers



Energy: 750 million bushels of corn will be needed to start an ethanol program.

a target price of $2.50 per bushel—adjustable with the cost of production—and provide for the current loan rate of $2.10 per bushel.

Rep. Bedell says 750 million bushels of corn would be needed at the start. "The ethanol that would result from the diversion of ten percent of the total corn crop each year," he says, "could meet about one percent of total U. S. energy consumption."

Although that may sound like a drop in the bucket, he adds, the 1.8 billion gallons of ethanol that could be produced would replace the equivalent of more than $600 million worth of imported oil.

To get the plan rolling, the government would provide $600 million in loan guarantees to the private sector for construction of ethanol production plants.

The Agriculture Department may support the Bedell measure if it includes a gradual phasing out of the current feed grains set-aside program.

The final version of the bill is likely to provide the $600 million in guarantees immediately with initial feedstocks coming from the farmer-owned reserves and Commodity Credit Corp. stocks. Producers would start contributing feedstocks in the 1981 crop year.

What Farmers Can Expect in 1979

The Agriculture Department has come out with its predictions for 1979.

Retail food prices, it says, are expected to rise by ten percent during the first two quarters of 1979, then quickly level off; pork and poultry production will rise sharply, but beef slaughter will continue to decline; foreign demand will continue strong despite the abundant supply of grain and the healthy yield of other crops; U. S. exports will reach an all-time high of more than $30 billion; and marketing margins will increase in line with the rate of inflation.

Additionally, net farm income before inventory adjustment will average out at $30 billion, nearly $1.6 billion over last year's level, while off-farm income will slightly exceed last year's margin of $34 billion.

Farms Will Run on Sunpower, Says Study

Farms will depend almost exclusively on solar energy by 2025.

That is the key prediction of a study by the American Society of Agricultural Engineers. By then, the study says, oil and natural gas will be nearly depleted, and coal and nuclear-derived energy will be so expensive that farmers will have to turn to the sun.

Energy considerations will dictate more emphasis on conservation and protecting the environment, says the society.

SMALL BUSINESS

White House Bows to Executives' Calls

Under pressure, the administration withdrew provisions from the multinational trade agreement that would have opened up more than $400 million in federal procurement to foreign bidders—a chunk normally set aside for small and minority firms.

After the provisions that were to be part of the Geneva agreement were leaked to congressional representatives, the White House was inundated with calls from small business executives.

Most criticized the provisions because they directly conflict with what the administration has been promising small business—that more, not less, government procurement would be set aside.

In addition, small business executives said, most of the $20 billion in foreign procurement that would be



MEMO FROM
MARSH & McLENNAN

Our clients include some of the country's largest companies—and many a lot smaller. And they all made the right move.

True—Marsh & McLennan's client list includes many giant corporations whose annual revenues reach hundreds of millions of dollars—and beyond.

But what many people don't always realize is that we also serve hundreds of other business organizations nowhere near that size.

The point is simply this: at Marsh & McLennan, companies of all sizes are equally well served. Which is as it should be, because all busi-

nesses, regardless of size, are exposed to many types of risk.

- A product could fail and injure a consumer, bringing a costly lawsuit.
- A warehouse fire could wipe out an entire inventory in minutes.
- There's even the risk of hidden loss caused by employees—"white collar" theft.

No matter your size, you deserve the best.

That's why so many companies come to us. Marsh & McLennan is the world's leading insurance broker. We've been solving insurance problems for companies of every size and type for over 100 years.

Some companies may hesitate to talk with us because they think they don't need a broker with the vast resources, skills, and worldwide capabilities that come with our size. We disagree. Very often, it's only the full-service insurance broker with a staff of experts, like Marsh & McLennan, that can get your insurance problems solved. Furthermore, in most cases, we will improve the cost and the effectiveness of your coverage program.

Just take a look at a few cases where our resources were brought into play for less-than-giant clients.

How we can help.

- Marsh & McLennan helped a precision metal-stamping company reduce its workers' compensation premiums by refiling and securing a classification that more accurately reflected their exposure.
- Marsh & McLennan's on-site flood survey and recommendations helped a textile manufacturer obtain flood insurance, even though his plant had previously sustained a serious uninsured flood loss.
- A Marsh & McLennan fire engineering survey developed low-cost protective recommendations that helped a chemical manufacturer obtain the full and adequate fire insurance he hadn't been able to get before.

In short, Marsh & McLennan clients get the best of both worlds. They receive personal attention, as well as the vast depth of experience and services from experts in over 80 offices across the country.

As you grow, we grow with you.

But almost as important as what we can do for you right now is what we can keep on doing for you as you grow. As your insurance needs expand, we're right there with the skills and service, depth and diversity—plus knowledge of those areas which may be unfamiliar to you.

This is especially important if you're opening a new facility in another state or launching a new product. New ideas, fresh perspectives, innovative answers to thorny insurance problems—these are the assets that only a major broker like Marsh & McLennan can provide.

Our policy is to see to it that each and every one of our clients is equally well served. Both those on the *Fortune 500* list and those far from it. Because from our point of view, *every* client is equally important.

To learn more about the ways we can help you, write to: Mr. Brian O'Rourke, Vice Pres., Marsh & McLennan, Incorporated, Dept. 800-NB, 1221 Avenue of the Americas, New York, New York 10020. Or contact our office nearest you, listed in the White Pages.

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Marsh & McLennan

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OUTLOOK

available to American firms in return would go not to smaller firms but to the multinationals already operating overseas.

On Capitol Hill, Democratic Reps. John J. Lafalce (N. Y.), Parren Mitchell (Md.), and Joseph P. Addabbo (N. Y.) warned Robert S. Strauss, the administration's trade negotiator, that they would oppose ratification of the agreement if the provisions were not removed.

Mr. Strauss says that European and Japanese officials have agreed that small and minority-owned firms will continue to receive preference over larger firms and foreign companies when bidding on government contracts. Mr. Strauss says the provisions were renegotiated with minor concessions to the Common Market and the Japanese.

One provision of the original agreement retained during renegotiations requires the U. S. government to relax its Buy American policy which gives preference to American firms over foreign bidders on contracts of $190,000 or more.

TRENDS

Money Futures to Start Next Year

The New York Stock Exchange plans to begin futures trading in financial instruments in early 1980.

The proposed exchange will be operated as a subsidiary if approved by the Commodity Futures Trading Commission. It will initially list eight financial futures: 90-day Treasury bills, 20-year Treasury bonds, 30-day loan repurchase agreements, the Canadian dollar, Japanese yen, British pound, West German mark, and Swiss franc.

Futures are negotiated contracts to receive or deliver a certain quantity of a commodity on a specified date at a specified price. The volume in financial futures, a relative newcomer to the futures market, is a major investment growth area.

SEC Plans to Ease Advertising Rules

The Securities and Exchange Commission wants to simplify the rules governing the way mutual funds advertise.

Mutual funds would be covered by a general rule barring misleading ads and guidelines about what would be considered misleading.

This proposal would abolish a 29-year-old policy statement which covered mutual fund advertising in almost clinical detail.

The greatest impact of the change would be on sales brochures that accompany prospectuses. This is particularly important, says Wayne Bardsley, assistant counsel for the Investment Company Institute, because "supplemental sales literature is far more important than the prospectus" in selling funds.

In the past, mutual funds had to get a go-ahead from the SEC before they could run an advertisement. Under the new proposal, they would not require previous clearance. However, the SEC would take action if a fund violated the proposed rule.

A spokesman for the SEC called the move "one of the major deregulation steps that the commission can take."

Accountants Can Also Consult

Accountants will be able to continue their management consulting activities despite criticism that they could involve conflicts of interest.

The Public Oversight Board has ruled that major changes in the way accountants handle their management consulting businesses are not needed.

The board says in its report that there is "potential danger to the public interest and to the profession" in the unlimited expansion of management advisory services but argued against banning the practice.

Balancing the potential harm, the report says, are the many potential benefits of allowing auditors to continue to be consultants for audit clients.

This ends round one of the long fight accountants have been waging to continue their consulting activities.

INTERNATIONAL

Financing Hampers Trade With China

The biggest problem facing those who would do business with the People's Republic of China is financial. Although China is considered highly credit worthy, it has nowhere to go for cash.

Export-Import Bank credits to finance U. S. exports are not available to China because of the immigration-linked trade restrictions in the 1974 Trade Act.

William W. Clarke, director of the China division, Bureau of East-West Trade in the Commerce Department, says it has been estimated China will need up to $85 billion in imported capital, equipment, and credits by 1985, $10 billion of that coming from the United States.

Administration officials expect that when the International Monetary Fund and the World Bank meet in October, China will try to gain a seat, which would make it eligible for an estimated $1.3 billion in aid.

Taiwan is now the sole representa-



Futures market trading: Elated members of the New York Stock Exchange's financial futures task force give the victory sign after NYSE board approved futures trading.



If you wait until the government explains ERISA to you, it may be too late.

When the Employee Retirement Income Security Act became law in 1974, it created as much confusion as red tape.

As a result, a lot of unsuspecting companies could face heavy fines for non-compliance and underfunding.

The law even affects many companies that don't have pension or profit-sharing plans.

Certain sections of the law impose requirements on medical, surgical, disability and death plans. Other sections impose regulations on thrift plans and stock bonus programs.

A review of your present employee benefit plans by a qualified Penn Mutual representative can help you determine how they fit into the provisions of ERISA.

We can design, in cooperation with your attorney, employee benefit programs that are consistent with ERISA regulations, hold costs to an absolute minimum and provide maximum benefits to the employer as well as the employees.

We can't guarantee that we'll be able to reduce your costs.

But we can guarantee that a thorough, professional review of your employee benefit plans by a Penn Mutual representative will reduce the time you spend worrying about ERISA compliance.

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OUTLOOK

tive of China at those two economic institutions, which mainland China says is illegal. But the IMF and World Bank are reluctant to expel Taiwan because it still owes them $440 million for past loans.

"It will be one heck of a complex legal problem," says an official. "All kinds of options are being drafted here and drafted there, but nothing has been decided."

Chamber Studying U. S.-Japan Investment

In an effort to bolster sagging U. S. exports to Japan, the Chamber of Commerce of the United States and the American Chamber in Japan are studying the investment relationship between the two nations.

The study, due in June, is one of the results of a trip to seven Far Eastern countries by Richard L. Lesher, National Chamber president.

Dr. Lesher found, in his meetings with Japanese and American officials in Japan, that bilateral investment is low in comparison to trade. The study will examine the reasons and what can be done to improve the situation.

While in Japan, Dr. Lesher met with Nobuhiko Ushiba, Japanese Minister for Economic Affairs, officials of the U. S. embassy, members of the American Chamber of Commerce in Japan, and with former President Ford who was touring the country at the time.

Congress Asked to Realign Export Policy

"The government does not have an effective policy-making structure to reconcile the conflicting goals of export promotion and export control," says the General Accounting Office.

Its report urges Congress to realign the export policy structure, centralize export licensing management, and facilitate the efficient and timely administration of export controls.

Rep. Jonathan Bingham (D.-N. Y.), chairman of the House Foreign Affairs trade subcommittee, has introduced a bill to extend the Export Administration Act and reduce the number of products subject to export controls.

Rep. Bingham says his bill would simplify licensing procedures for lower technology products and reform foreign policy export controls to enable U. S. exporters to compete in communist countries.

FINANCE

Bank Holding Firms Get Another Look

Bankers who breathed a sigh of relief when the Safe Banking Act, which limits the size of bank holding companies, was passed last year have started holding their breath again.

Rep. Fernand St Germain (D.-R. I.),



Rep. St Germain: Wants Congress to take another look at the activities of bank holding companies.

chairman of the House Banking subcommittee on financial institutions, says Congress has not finished restricting the activities of bank holding companies. He has introduced legislation that would prohibit the institutions from underwriting insurance and further limit expansion.

Rep. St Germain has a list of issues he wants to take up. Among them:

- Should there be an upper limit to the size of a bank or bank holding company?
- Should this limit apply to mergers as well as acquisitions?
- Are antitrust laws strong enough to meet the competitive challenge of large banks?
- Is there an essential difference between small and large bank holding companies and, if so, should they be treated differently under the statute?

PERSONAL

Full Disclosure to Franchisees

Business franchisers will soon be barred from overstating their claims. Beginning in July, they will have to give prospective representatives substantial data about the earnings of the firm's other franchisees.

Ignorance among potential franchisees about what they're getting into and the number of subsequent business failures have led the Federal Trade Commission to issue a truth-in-franchising rule which not only calls for disseminating full information but also allows franchisees to sue the franchiser if they don't get it.

Management Unhappy With Firing Procedure

Nearly all executives marked for firing in the past few years knew the ax would fall but inexplicably hung on, resulting in more trauma for themselves and leaving their company managements guilt-ridden.

A study by Eaton-Swain shows that nearly 85 percent of fired executives were tagged to be fired six to 18 months before they actually were.

Corporate executives told Eaton-Swain they either overpaid or underpaid in the severance package, realized after the fact that they had fired executives who were not emotionally prepared to cut the cord and seek employment elsewhere, and failed to use outside out-placement services.

Bank Cards Now Offered by Mail

If you don't already have a bank debit card that permits you to draw out money through a machine, you may soon receive one in the mail.

Banks may now distribute unsolicited, unvalidated debit cards through the mail under a recent ruling by the Federal Reserve Board.

But, in order to use the card, you must call and write to the issuing bank. Your signature will be checked against bank records.

Your liability is only $50, provided you notify the bank of the loss or theft within two business days of the time it happens. □

It's about time someone made buying a small business computer a little easier.



That's why Digital instituted its new Authorized Distributor Program.

Now you don't have to look all over to find someone who can provide you with the right system for your business. Just look for someone displaying the "Authorized Digital Computer Distributor" logo.

As the largest manufacturer of interactive computer systems, Digital Equipment Corporation is establishing a network of independent Distributors to market its small business computer systems. Digital builds the broadest line of small business computers. And, we back them with the kind of field support that can only be provided by a billion dollar industry leader with 8,000 support specialists.

Our Authorized Distributors will complement these strengths. They can help you define your needs so you can choose the right system. They can tailor application software to your requirements. And, they can give you the continuing support you'll need to keep your system in tune with changing business requirements.

This easier way of buying computers is all outlined in our new brochure, "A Strategy for Buying a Small Business Computer." If you'd like a copy, attach your business card to this ad and mail it to Digital Equipment Corporation, Commercial Products Group, Merrimack, New Hampshire 03054. Department MK 1-2/H32.

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ENERGY MAYDAY: Is Anybody Listening?



By Tony Velocci



REMEMBER the energy crisis of 1974? The long, frustrating lines at the gas pumps? The soaring prices and heating oil shortages?

That recent history may be about to repeat itself, according to many economists and analysts. And the reason is the six years of political drifting that has passed for energy policy in the United States.

Now, President Carter has announced a three-pronged approach that could put the nation back on the track of energy independence. Mr. Carter has called for universal conservation, phased decontrol of crude oil prices, and a massive technological initiative similar to the ten-year, man-on-the-moon program of the 1960s.

The President's program is designed to encourage the use of more abundant fuels, reduce the consumption of gasoline, and stimulate the exploration and development of alternative energy sources, including solar and nuclear power. The big debate will center on a proposed windfall profits tax on the petroleum industry and the use of that tax for an energy development fund.

In the meantime, Mr. Carter's energy package does little to ease the recent impact of Iran's curtailment of oil production.

For the second time since 1973, events thousands of miles away in Iran have sharply delineated America's utter dependence on foreign oil.

This time around, however, the economic hardship and impacts on business may be more severe and last longer because the outcome depends on a host of uncertainties.

Iran has resumed oil production, but no one can be sure for how long or how much. Saudi Arabia, now filling much of the world's petroleum shortfall, will eventually return to normal production levels. Domestic energy reserves are being replenished or augmented on an erratic basis. And the specter of gasoline rationing is back again.

These unknowns, coupled with congressional wrangling and ever-increasing energy demands, boil down to a likely gasoline shortage in many parts of the country this summer and a shortfall in home heating oil this winter as well as gradually rising prices for both fuels.

Business is not likely to react to current problems as it did in 1974, building stockpiles of raw materials for fear that shortages will spread to other commodities, says Joseph Bench, vice president and economist of First Pennsylvania Corp.

"Unlike 1974, substantial excess productive capacity exists worldwide to satisfy business and consumer appetites," he says. "However, some businesses have contracted to take delivery of commodities in the future at prices well above spot market levels."

The uncertain energy and economic environment will work to depress both residential and business investment, says Mr. Bench.

According to Bruce K. MacLaury, president of the Brookings Institution, the increase from about $40 billion to $120 billion in the export earnings of the world's oil exporters between 1973 and 1974 was probably the largest bonanza in world history, exceeding even the inflow of gold and silver into Spain in the 16th and 17th centuries.

"The strain of this massive redistribution of world income compounded existing economic difficulties on every front," he says.

"The situation today is serious, but it's not setting the world's economic clock back four years."

Says an economic forecaster of the Chamber of Commerce of the United States: "The real danger lies in the uncertainty among businesses concerning adequate fuel supplies. This condition tends to lead to the adoption of short-term business policies that usually have long-term negative consequences."

There are, of course, ample energy resources in the United States. Coal and nuclear power, if fully developed,



All that steam comes from geothermal power, which is expected to make up two or three percent of total electric power generation in the United States by 1990.

Petrochemical plants such as this Celanese Co. facility in Clearlake, Texas, are continually searching for energy efficient processes.

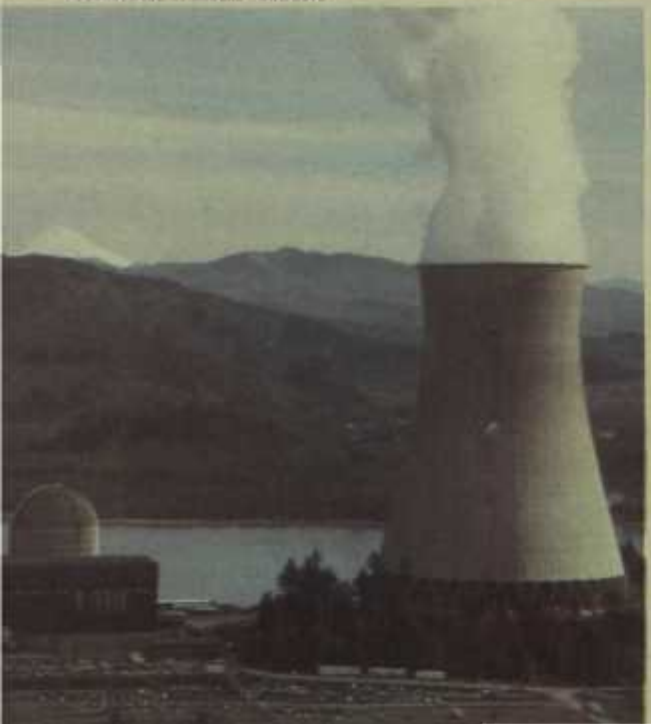


PHOTO: GRIPHOTO



Silhouetted is a symbol of America's intensive effort to meet increasing energy demands. Offshore drilling platforms dot coastal waters, extracting oil and gas.

PHOTO: JOEL W. ROGERS—GRIPHOTO



Steam continues to rise from an Oregon nuclear power plant, but across the nation atomic power is being reexamined for its risks as well as its benefits.

PHOTO: ROBERT RATHE—GRIPHOTO



Coal, our most abundant fossil fuel, supplies about 18 percent of U. S. energy needs, but further development is hamstrung by environmental issues and labor problems.

could reduce oil imports by a substantial margin. But energy programs compete endlessly for funds and policy decisions. The result is massive wheel spinning. [See: "Energy: Here Today, Gone Tomorrow?" Dec. 1978.]

Some Energy Department people say the United States is in a stronger energy position today because of the heightened awareness of the situation by the public and government officials and Western nations' efforts to share available energy supplies.

More dangerous

But most economists and energy analysts disagree. While the nation is not yet in a crisis, it is near the brink, they say. And compared to six years ago, the energy crunch is potentially more dangerous.

In October, 1973, when the Arab embargo started, domestic oil companies were producing nearly one million more barrels of crude oil a day, and America was consuming about 2.5 million barrels less. In 1977, Americans consumed petroleum products at the rate of 18.4 million barrels of oil a day—more than 3.5 gallons for every man, woman, and child.

The most frightening contrast, however, is that today the United States relies on foreign imports for about half of its supply, compared to 35 percent six years ago. Also, the nation is drawing down its reserves, which it did not do in 1973.

Americans are paying a high price in dollars as well. Energy Secretary James Schlesinger predicts the U.S. bill for imported oil in 1979 could reach $60 billion; it was $42 billion in 1978 and just $3 billion in 1970.

Delicate balance

Drilling, transporting, and marketing the world's oil is a complex interrelationship between nations and companies. On one side are the oil-consuming nations which have developed varying degrees of dependency. On the other are the oil-producing countries. It is a delicate balance that helps to explain how Iran, which supplied just under five percent of America's oil imports, was able to create such an uproar by turning off the valves for just three months.

Before it shut down, Iran exported about 5.5 million barrels of crude oil a day. The United States received about 550,000 barrels, plus another 300,000 barrels a day of refined products from Caribbean refineries processing Iranian crude.

Being a better grade, Iranian crude yields more gasoline, jet fuel, and home heating oil per barrel. The less desirable and more plentiful crude now being imported cannot be refined as efficiently for certain products.

"Then there are the exchanges that international oil companies make to minimize transport costs and obtain crude oil with the desired characteristics," says economist Leonard Bower of the American Petroleum Institute.

"Before the Iranian trouble, U.S. companies were using additional Iranian crude to trade for oil from other countries. That crude was then delivered to the United States. With Iran's production now cut in half, companies do not have it to trade."

To make matters worse, some OPEC members, including Libya and Algeria, are reducing scheduled deliveries to U.S. oil companies by ten to 18 percent.

Ultimate tab

At a minimum, crude oil prices are expected to rise to as much as $18 a barrel by 1980. The ultimate tab, of course, is paid by the consumer, and nowhere is the impact more visible than at the gasoline pump. Prices change almost week to week, always upwards.

Supply problems will linger both in the United States and elsewhere because of the ripple effect created by Iran. There is no disagreement on that within the industry or between the industry and the federal government. But, as Mr. Schlesinger puts it, "the present difficulties in Iran are only a symptom of the broader, longer-term energy problems facing this nation and the world. Underlying our troubles is a fundamental energy reality: World productive oil capacity is limited."

Along with that limit are two other unknowns: The weather, which will ultimately determine how much heating oil and gasoline Americans will require of domestic refiners, and the International Energy Agency's sharing program.

The IEA is a consortium of 20 nations, including the United States. Any of these nations that has a shortage of more than seven percent will be supplied by other IEA members. Japan, the United Kingdom, Italy, the Netherlands, and Spain are all expected to have significant shortfalls as a result of the Iranian situation. The United States is unlikely to benefit from this system but may have to contribute its oil to other nations.

Finally, there are the uncertainties surrounding President Carter's new energy initiatives: Will the public cooperate by voluntarily reducing energy consumption? Will Congress be able to resist the pressures of special interest groups and support a national commitment toward energy security?

And when the financial going gets tough, will the President be able to fund his crash energy plan, which he likens to the lunar landing effort of the 1960s?

Certainly, the President's proposals are not new. In 1977, the National Chamber urged President Carter and Congress to decontrol the price of oil gradually, simplify the regulatory process, and ease environmental laws.

"The imposition of price controls and new taxes are contrary to the basic market forces which have been the most effective means of correcting supply-demand imbalances," Chamber President Richard L. Lesher told the House Ways and Means Committee exactly two years ago.



No one can say how tight gasoline supplies are apt to get, but if demand doesn't slacken, many pumps may be idle.

Since then, conservation, voluntary or mandatory, has been shown to be the most viable, short-term solution.

The two government standby conservation plans that stir the most uneasiness are gasoline rationing, which would be implemented only as a last resort, and prohibition of the sale of gasoline or diesel fuel during certain weekend hours. Either of these measures would hit industries such as the airlines, autos, recreational vehicles, fast food, lodging, trucking, chemicals, and entertainment.

According to Porter P. Parris, president of the American Hotel and Motel Association, the tourism industry

alone lost 90,000 jobs and $717 million in revenues during the Arab embargo when Sunday sales of gasoline were prohibited for three months.

But rationing, at least as proposed by the Energy Department, is unlikely unless there is another major setback in the nation's energy supplies. An Energy Department spokesman says a worldwide energy shortfall would have to reach 20 percent before gasoline would be rationed in the United States.

"We're a long way from that point," he says. "Based on current conditions, we don't anticipate gas rationing soon."

However, gasoline rationing may be a lot closer. A national survey by the American Automobile Association of 4,200 gasoline stations shows that about 15 percent have already instituted their own rationing programs because of supply problems. Thirteen percent are closing earlier on weekdays, and three percent are limiting purchases by either gallon or dollar amounts.

Of the stations, 1.2 percent were out of regular gas, one percent were out of premium, and 1.8 percent were out of unleaded when surveyed.

The ban on weekend gasoline sales will depend on whether states can develop their own plans to meet targets for reduction of gasoline consumption. If voluntary state reductions achieve inadequate savings and gasoline shortages persist, President Carter will call for mandatory weekend closings, which are estimated to save 120,000 to 270,000 barrels of oil a day.

Regulation too late

Government interference in the marketplace is drawing stronger opposition not only from the private sector but also from members of both political parties.

John Emerson, vice president and energy economist at Chase Manhattan Bank, says: "One of the problems with government regulation is that it generally occurs too late.

"The government's regulation of petroleum allocations, for instance, amounts to an attempt to stimulate the workings of the marketplace. It has been done very poorly. To that extent, the goverment must take partial responsibility for the gasoline supply problems today."

Says Sen. James A. McClure (R.-Idaho): "Shortages of necessities always result in increased government controls. And increased government controls always lead to increased shortages."

Some of the most impassioned arguments for decontrol have come from conservative Democrats, including House Majority Leader James Wright (D.-Texas). He supports immediate deregulation of low-producing oil wells and endorses an excess profits tax.

Citing the nation's growing economic, political, and military vulnerability due to its dependence on imported oil, Rep. Mike McCormack (D.-Wash.) says: "The challenge is that we must . . . essentially double our domestic energy production capacity by 2000, and do so as our domestic supplies of petroleum and natural gas decline."

The President's new energy strategy, particularly his decontrol of domestic oil prices, is designed to do that. But, politically, it was a risky decision. Severe criticism from the public and liberal Democrats is likely to increase as prices for petroleum products climb.

Forceful action needed

But, says Michael K. Evans, former chief economist of Chase Econometric Associates, Inc.: "The recent Iranian revolution and the reaction of the OPEC oil ministers demonstrate clearly that unless the United States moves quickly and forcefully to deregulate domestic oil prices, the price of imported oil can easily rise ten percent a year for the foreseeable future."

Mr. Evans forecasts that the results of the President's decision to lift price controls gradually will save $25.2 billion worth of annual oil imports by 1984, improve the U. S. trade balance by a cumulative $48 billion from 1980 to 1985, and limit U. S. oil imports in 1984 to 400,000 barrels a day higher than current levels, instead of 2.8 million barrels a day higher.

In addition, phased decontrol will increase U. S. oil production by 1.5 million to two million barrels a day by 1986, the American Petroleum Institute estimates.

Increased prices

The increase will come from oil companies' investments, which, the API says, will be four times greater in the next two years than at present.

Phased decontrol will also increase consumer prices an average of 0.3 percent annually from 1980 to 1985, a fact that will not increase the President's popularity.

In 1977, President Carter called efforts to conserve energy the moral equivalent of war. Sen. Carl Levin (D.-Mich.) said on the eve of Mr. Carter's latest energy effort that White House energy policies were "more like the moral equivalent of treading water."

Today, the government still controls prices of gasoline and most U. S. oil on

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There go more petro-dollars—leaving behind them another jolt to the domestic economy.

Based on OPEC's most recent increase in the official price of oil—from $13.34 to $14.56 a barrel—inflation in the United States may reach ten percent by 1980. Unemployment could climb to 6.5 percent. And economic growth is apt to decline by about 2.4 percent.

Even before the new price structure was announced, the cost of gasoline had already risen about 12 cents a gallon over the same period a year earlier.

In a recent survey, the American Automobile Association polled 4,200 franchised and independent service stations and found that the average price for regular gasoline was 74.7 cents; unleaded, 78; premium, 80; and diesel fuel, 67. OPEC's nine percent increase will boost these figures by about four cents a gallon.

The OPEC price increase was certainly unwelcome, but it was far from catastrophic. The general consensus is that the major developed countries will be able to absorb the increase without a great deal of difficulty. In the United States, the possibility of a recession has been heightened but is still uncertain.

More OPEC price increases are sure to follow. But the powerful oil cartel will eventually price itself into a Catch-22 situation.

"Ultimately, the oil exporting countries' ability to drive prices up will be diminished as their asking price induces more people to conserve and makes other fuels and energy sources economically attractive," says economist Leonard Bower of the American Petroleum Institute.

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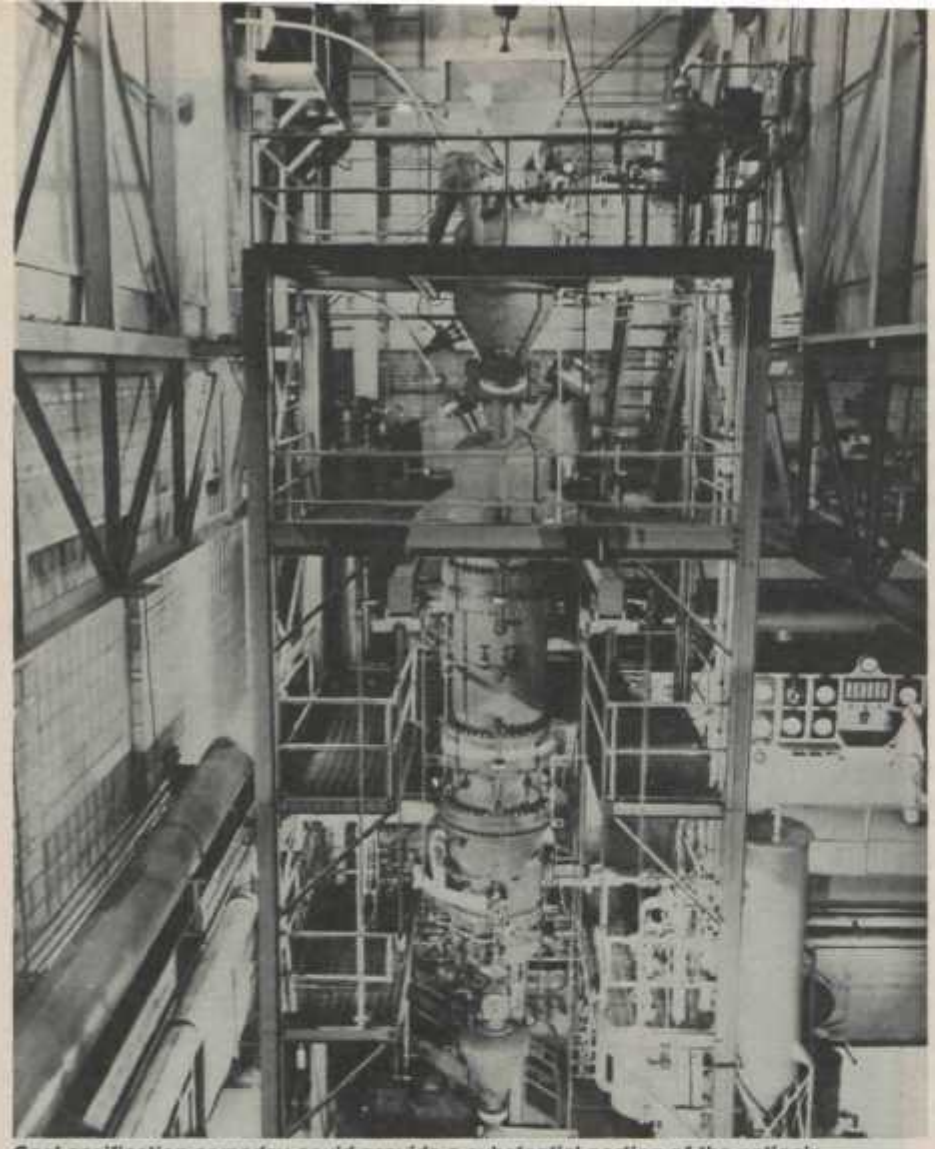
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Coal gasification someday could provide a substantial portion of the nation's energy needs, but not until its commercial price can compete with imported oil. This pilot plant is being operated by the Energy Department in North Dakota.

the basis of when production began. The average price of domestic oil is about $9.50 a barrel; the world market price of oil delivered to U. S. refineries is about $15.20. Thus, a portion of the actual cost of petroleum products is subsidized by oil producers. One result is that the relatively low prices have tended to stimulate use. Another result is that price ceilings have reduced the financial ability of domestic producers to expand capacity.

But excessive consumption and limited refining capacity will gradually change after June 1, when mandatory controls on U. S. crude oil prices end. From then until 1981, controls on all oil produced here will be phased out. An increasing amount of oil, some of it requiring advanced recovery techniques, will be priced at the world level. Only those categories of oil for which new production incentives are needed will receive the world price in 1979.

Decontrol is being spread over two years to soften the inflationary impact on consumer prices. For example, the administration estimates that fuel bills for a typical middle-income family of four will increase by only $38 to $47 in 1980 and by $75 to $99 in 1981 as a result of decontrol.

Deregulation opponents such as Sen. Howard M. Metzenbaum (D.-Ohio), a member of the Senate Energy Committee, argue that lifting price controls will contribute to inflation. It will—about 0.1 percent in 1979 and 0.2 to 0.3 percent through 1982.

The Economic Regulatory Administration in the Energy Department estimates that gasoline prices could increase by four or five cents a gallon through 1982.

The benefits, however, cannot be ignored. Reliable estimates are that oil use will decline by 300,000 to 400,000 barrels a day, higher oil company profits will increase annual tax revenues by about $4 billion, older and marginal domestic oil wells could yield up to 500,000 additional barrels of oil a day; and domestic producers will have more capital to finance exploration and production.

Is the public willing to pay higher prices at the gas pump to achieve energy independence? A recent Harris survey indicates that 65 percent would favor deregulation of the price of domestic oil if that would spur oil production in the United States.

"Whom would you rather pay?" asks Jeff Hertel, vice president and energy analyst with Rotan Mosle, Inc., a Dallas-based consulting firm specializing in the energy field. "OPEC, which isn't about to spend a dime to help this country become energy independent, or American energy companies, which have a stake in America's future?"

Refinery costs

Building a new refinery costs about $4,000 for each barrel of capacity. Between 1972 and 1976, the industry's energy-related capital expenditures rose by nearly 110 percent, while net income grew by 90 percent and cash flow increased by 80 percent.

To halt the decline in U. S. oil and gas reserves, the Energy Department estimates that oil companies will have to spend $20 billion to $26 billion a year through the early 1980s, compared with an average of more than $11 billion a year from 1972 through 1976.

Besides price controls, there are other obstacles to improving the energy outlook. For example, about half of the nation's known hydrocarbon energy resources is located on public lands, but those areas account for only ten percent of production.

Unfortunately, Mr. Carter's energy plan does nothing to encourage the exploration and development of additional federal acreage onshore that is rich in oil and gas reserves. However, the plan will spur more ambitious exploration and development of offshore oil and gas under an expanded schedule of offering more ocean area to bidders.

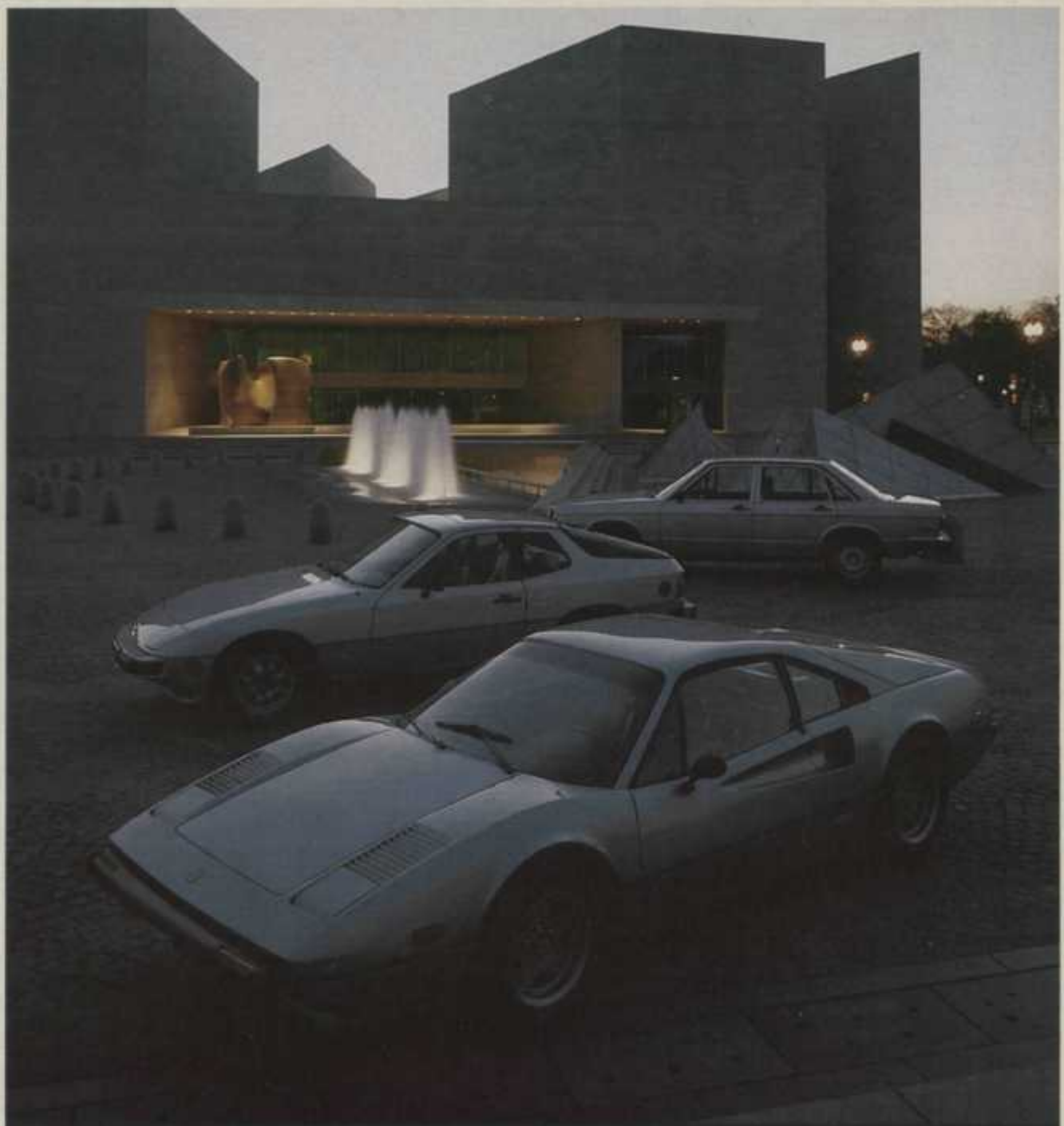
Skeptical public

Finally, there is the enigma of an energy-consuming public that remains skeptical about the existence of an energy crisis.

For example, a national poll in 1977 showed that only 33 percent of those interviewed thought the energy situation was serious. Only weeks before, President Carter had talked of an "impending catastrophe."

"This is a serious problem," says energy economist John Emerson. "The American people's perception is still


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very limited; if an unpleasant situation fails to alter their personal lifestyle, they remain largely unconcerned."

Public skepticism exacerbates the political nature of the nation's energy situation. Says a source: "Until the public believes there is an energy crisis, it is unrealistic to think that elected officials are going to put their political futures on the line by voting for unpopular pieces of legislation. More tough political decisions lie ahead."

Mr. Carter has eased environmental restrictions to permit the use of more coal and higher sulfur fuel oil, and he will slow the phaseout of lead in gasoline.

What more can the government do now? It could lift the ban on MMT, an unleaded gasoline additive that would provide at least an additional 100,000 barrels of gasoline a day from the same amount of crude oil.

Energy experts generally agree, however, that conservation will be most effective until domestic producers can expand capacity. Industry has demonstrated that it can meet the

Will the Nuclear Power Bubble Burst?

It is too soon after the nuclear power plant accident near Harrisburg, Pa., to say definitely whether commercial use of atomic energy has a future in the United States.

However, as industry and government continue to analyze the March mishap, some flatly predict nuclear energy has no future, while others claim the industry will emerge even stronger.

"We will learn a lot from this experience," says Sen. Gary Hart (D.-Colo.), chairman of the Senate Environment and Public Works subcommittee on nuclear regulation. "Any judgments about the future of nuclear energy will have to be based on thoughtful deliberation after the dust settles. And that will take weeks, if not months."

The accident at Three Mile Island is likely to result in much tighter government regulation of the industry, with public officials making more of the decisions about the manufacture, operation, and safety of nuclear power stations.

Any future development of commercial nuclear power is apt to proceed more slowly than it did before. And states may be required to develop evacuation plans and perhaps even rehearse them.

Past projections of the number of nuclear power plants operating by 2000 have ranged up to 500, producing about a fourth of the nation's generating power. But the actual number will probably be short of that. About 80 additional nuclear plants now under construction or in the licensing process are expected to become operational around 1987.

Utilities have notified the Energy Department of their intention to proceed with those plants. Energy Department Secretary James Schlesinger predicts, however, that utilities may be reluctant to build more atomic facilities because of the general uncertainty about the industry's long-range future.

Still, the government is keeping its nuclear option open.

"We can't turn our back on nuclear energy," Mr. Schlesinger says. "It now supplies a significant amount of our generating capacity, and we expect it will continue to do so."

The accident has not affected public attitudes toward nuclear power as much as some critics might have expected. The reason is unclear but may stem from a general awareness of the length of time (22 years) nuclear power stations have been in commercial operation without a serious accident.

In a poll conducted on the eve of President Carter's energy message to the nation last month, Louis Harris and Associates, Inc., asked Americans: "In general, do you favor or oppose the building of more nuclear power plants in the United States?"

Fifty-two percent were in favor of more atomic generating stations, 42 percent were opposed, and six percent were unsure. In 1978, the same question was asked in a Harris poll, and 57 percent said they supported more nuclear power plant construction, 31 percent were against, and 12 percent were unsure. And in 1976, the same question drew these percentages: 61 percent for, 22 percent against, and 17 percent unsure.

The Three Mile Island accident, which has been attributed to a combination of mechanical and human errors, ocurred when nuclear power appeared to be gaining wider acceptance in the United States. For instance, before the accident, a study prepared by Pennsylvania State University researchers for the Nuclear Regulatory Commission revealed that in four northeast locations, a nuclear power plant did not adversely affect the sale prices of one-family homes within 20 miles of the site. In fact, it seemed to spur growth of the immediate community due to lower taxes for local residents.

Even though Congress is reexamining nuclear energy's risks versus its commercial benefits, it is highly unlikely that the nation's other atomic power stations will be shut down.

In its official report to the NRC, federal safety investigators recommended against closing the eight other operating reactors built by the same manufacturer, Babcock-Wilcox, or the 61 reactors built by other firms.

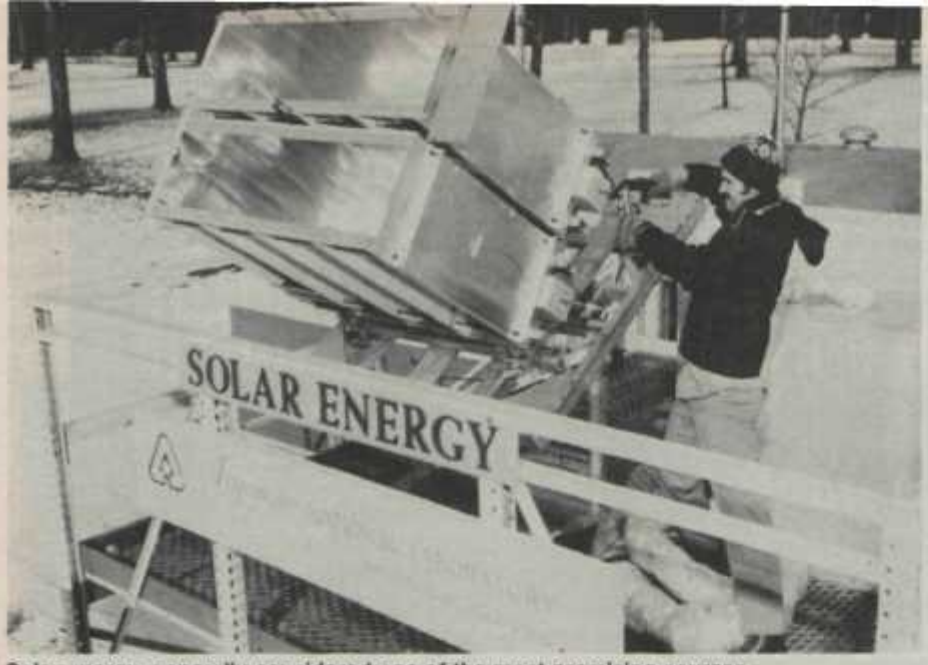
The Atomic Industrial Forum, the industry trade association, is optimistic. "In the long haul, I believe the accident will be put in its proper perspective, and the majority of people will realize we still have a fine source of energy," says Eugene Gantzhorn, a forum spokesman.

William Ramsey, a nuclear physicist and former technical adviser to the NRC, isn't so sure. "It is quite possible for us to lose the nuclear option in the United States," says Mr. Ramsey, a senior fellow at Resources for the Future, a research organization in Washington, D. C.

"The recent accident does not necessarily mean the risks of harnessing the atom for peaceful use outweigh the benefits," he says. "There is a proper balance, and this is a good time for the nation to review the whole reactor program."

According to Mr. Ramsey, the future of nuclear power will ultimately be determined by the continuing rise in the price of foreign oil and the availability of other energy sources such as coal.

"We may find nuclear power looking very attractive again," he says.



Solar energy, generally considered one of the most promising sources for the future, is being developed by both government and industry. This solar funnel is capable of concentrating the rays of the sun tenfold.

challenge of conservation; the public has not.

The Energy Department reports that the growth of consumption slowed to 1.8 percent last year from 2.5 percent in 1977. The reduction is mainly due to industry's energy efficiency, which has been improving at about 15 percent a year since the Arab oil embargo.

In 1977, industrial production rose 5.6 percent, while energy use declined 0.1 percent. This compares with an average increase of 3.5 percent in industrial energy use in the 1960s.

"The waste is really in driving," says a department spokesman. Demand for unleaded fuel, which is required for most new cars, rose an estimated 27 percent during February from a year earlier, according to the American Petroleum Institute.

What will reverse the trend? According to a recent survey, a price jump of 75 cents a gallon would persuade 71 percent of American's drivers to leave their cars home. The average price of gasoline isn't expected to top $1 until next year, but that will still be a bargain compared to prices abroad: Belgium, $2.50; Israel, $3; France, $2.50; and Italy, $2.40.

Nuclear shutdown

Mr. Schlesinger says the fact that demand for oil is now a record 21 million barrels a day demonstrates the failure of voluntary conservation measures. Continued excessive demand could lead to mandatory fuel-saving plans.

The long-term solution to the nation's energy problems lies in developing alternate sources such as nuclear, oil shale, solar, geothermal, coal gasification, and gasoline substitutes.

The 72 licensed domestic nuclear power plants provide about 12 percent of all electricity consumed in the United States. Since 1972, the cost of electricity has gone up an average of 57 percent in states with more than half of their power generated by nuclear, compared with an average of 81 percent of all utilities, according to Gordon C. Hurlbert, president of Westinghouse Power Systems Co.

Pulverized coal

The shutdown of five nuclear generating stations in March because of suspected design flaws underscores nuclear energy's potential in replacing fossil fuels. The five plants, all located on the East Coast, normally produce about 4.1 million kilowatts of electric power. Energy Department officials estimate that it will take an additional 100,000 barrels of oil a day to make up for the loss.

Abundant supplies of domestic coal are perhaps the nation's most neglected ready-to-use energy resource. The challenge is how to burn it cleanly, efficiently, and economically. Coal consumption in the United States during 1978 was 620 million tons, an increase of only two percent or so over the past five years.

Coal gasification and liquefaction are two other viable long-range alternatives. The Electric Power Research Institute, the Energy Department, and Combustion-Engineering, Inc., are now sponsoring a major coal gasification project, using pulverized coal, which is intended to develop gas for utilities and industrial steam generation.

Canadian oil sands

Still another source of future energy will probably be the Athabasca oil sands of northeastern Alberta, Canada. Currently, the International Shell Group and its Canadian partners are seeking a permit to build and operate the world's third commercial oil sand plant, which would yield 140,000 barrels of oil a day when it begins operating in 1986.

Solar technology, which may provide up to three percent of the nation's electricity by 2000, is complicated by uncertainties relating to technology development, market economics, and governmental policies. It is estimated that the industry has invested about $50 million to date.

Oil shale is the largest untapped fossil fuel resource in the United States,

The High Price of Opportunity

President Carter's new energy strategy represents a mixed bag for small business.

"There are many small research and development firms that have been waiting for the type of financial incentives included in the President's energy message," says Ray Marchakitus, of the Small Business Administration. "They will find numerous opportunities in the continued development of such products as gasohol and increased efforts to make buildings more energy efficient."

There will also be opportunities for small entrepreneurs in providing services and products—wood burning stoves, for example—that large firms are unable to supply.

However, rising energy costs will offset the benefits somewhat. Small operations will begin feeling the effects around next month.

"Most small businesses should have already been adjusting to compensate for rapidly rising energy costs," says Mr. Marchakitus. "Those that haven't had better wake up."



Some of the more exotic new energy systems being tested are wind turbines. The 15-foot blades of this one at the Energy Department's Sandia Laboratories in New Mexico can produce three horsepower in a 20-mile-per-hour wind.

estimated to equal up to 700 billion barrels of oil, many times greater than the proven reserves of Saudi Arabia.

The greatest impediment to oil shale development has been the lack of a strong federal policy. The President has called for an energy security fund, consisting of tax revenues from oil producers' profits that might result from decontrol. The fund would be used to cover some costs of oil shale production.

A recent study by the energy division of Booz, Allen, and Hamilton, Inc., concludes that oil from shale will become economically competitive with imported oil around 1990.

Huge reserves

An increasing amount of oil and gas is likely to come from neighboring countries. Canada, for example, has already agreed to a 28 percent increase in natural gas exports to the United States over the next eight years.

Amoco Production Co., a subsidiary of the Standard Oil Co. of Indiana, plans to spend more than $1 billion this year finding and developing gas reserves.

"1979 should be the first year we report a domestic natural gas production increase since 1973," says George H. Galloway, Amoco Production president. Most of the expected gain will come from recent discoveries in Wyoming, East Texas, Louisiana, and offshore operations in the Gulf of Mexico.

Administration officials say that President Carter expects that the United States and Mexico can reach a fair arrangement about the purchase of natural gas.

Mexico is the one known source of huge new oil supplies. Pemex, the state oil company, lists 26 billion barrels in proven reserves and 130 billion barrels in potential reserves, second only to Saudi Arabia's reservoir of 165.7 billion barrels.



Should the need arise, a supply of gas rationing stamps, a legacy from a prior past crisis, are in government storage.

Expansion of domestic refinery capacity will be necessary to meet the increased consumer demand and also to process the increasing supplies of lower-grade crude.

The Environmental Protection Agency has been told to postpone for a year its plan to decrease the average lead content of gasoline to 0.5 grams per gallon. The phasedown was to have begun in October. Its deferral is still only a short-term answer to a long-term problem.

Loud warning

Resolving the nation's energy problems cannot be accomplished by one man—in this case, the President. Until Congress implements a cohesive energy policy and the public realizes that conservation must become a way of life, there could be future energy crises, worse than the previous two, that will require more drastic measures.

"Iran could turn out to be a blessing if it jolts people into realizing how precarious our energy situation really is," says Mr. Hertel of Rotan Mosle. "Obviously, this country needs to have a near-crisis to put the fear of God in people before they will act."

Says Phillips Petroleum Chairman W. F. Martin: "The Iranian disruption has sounded another loud warning to the U. S. The crucial question is: Is anybody listening?" □

To order reprints of this article, see page 12.



U.S. Postal Service: A Monopoly Trying to Beat the Competition

By Mary Tuthill

IT IS TOUGH to compete with a good competitor once you've lost the business," says Postmaster General William F. Bolger. "In the business world that's a bad thing to chase."

Of course, Mr. Bolger has some assistance that private business doesn't have, such as nearly a billion dollars annually in government subsidies and a monopoly on letter mail.

The lost business Mr. Bolger refers to is parcel post. The postal service once had a virtual monopoly, but rising postal rates and a creaky delivery system eroded it. The postal service didn't recognize until too late that businesses were turning to alternative delivery services such as United Parcel Service.

Now the postal service is changing a number of regulations and developing faster systems such as express mail in an effort to meet the competition.

"There is a growing market for parcel post," Mr. Bolger says. "Catalog mail is increasing; buying through the mail is becoming more popular."

Last year, the postmaster general formed a committee of business and postal service officials to find ways to streamline postal operations to avoid having private services take over publications delivery.

Mr. Bolger says the postal service already has adopted 13 of the more than 75 recommendations in a 230-page committee report.

Although the recommendations do not deal with mail usually sent by individuals, Mr. Bolger says the changes also would help the average citizen because increased mail volume will hold down overhead costs throughout the postal service.

Many of the changes would reduce business costs in preparing material for mailing and should benefit those who ship magazines, books, and records, as well as other third-class mail.

One change already made removed a prohibition on publishers using the same sack for copies of more than one publication.

Economic handling

Another, challenged in court by UPS, proposes new subclasses that would permit lower rates for presorted third-class mail and more economical handling of parcel post from customers that deposit 50 or more parcels in containers.

Also, magazines and catalogs would not need to be prelabeled. The labels could be sent separately to the post office or with the publications, and postal employees would put them on the publications. Sorting labels, Mr.



In an attempt to recover lost business, Postmaster General William F. Bolger plans to streamline his service to be more competitive with private firms.

e postal service is banking on the eory that proposed lower rates for rcels will generate more business and ep these conveyor belts moving.



COMSAT Corp.'s Intelstat IV-A satellite will be used to transmit postal service messages from the U. S. to overseas earth stations for surface delivery there.

Bolger points out, is a lot faster than sorting publications.

Another recommendation, not yet adopted, would allow publishers to print advertisements on second-class mail wrappers to help offset postal charges.

The committee's report is "just the first step toward making it easier for mailers to deal with the postal service," says Mr. Bolger.

Experimental stages

"There are literally hundreds of other regulations that we are scrutinizing. Many date from the beginning of this century and bear no relationship to the way the postal service and its customers do business today."

More in line with today's business methods are programs Mr. Bolger would like to introduce, some of which are in the planning or experimental stages. For example, the postal service is prepared to introduce Electronic Computer Originated Mail (E-COM) with Western Union, and to test International Electronic Message Systems (Intelpost) with the Communications Satellite Corp.

Although use of electronic mail is not new to the postal service, which introduced Mailgram in 1970, neither E-COM nor Intelpost will be installed soon. The use of electronic communications has raised public policy questions about whether the postal service should compete with the private sector.

"We have no intention of making huge capital expenditures until the public policy decision of what our role should be is reached," Mr. Bolger says.

Another problem, he adds, is that nobody has really identified the market. "Other countries—Sweden, Switzerland, and Britain—have introduced such systems, and France is working on one now.

"But nobody knows the market. Usually you figure out what the market is going to be and then develop the service around it. But this seems to be one where you have to put it up and see if it's used."

Expanded service

The postal service has expanded its express mail service both domestically and internationally. Next-day service now is available in more than 1,000 U. S. cities, and customers may regularly receive same-day service at 51 airports in 49 cities.

International express mail is available to eight countries, and Great Britain may now receive shipments containing merchandise or other dutiable articles in addition to business documents, correspondence, and other nondutiable matter.

Whether the offer is faster service for an additional cost or lower rates to volume mailers, the aim is to attract more users.

Volume-driven

"We're a volume-driven business," says Mr. Bolger. "We have 158,000 routes out there and we have to have volume to support them.

"And," he says, "we're recognizing that the acceptance of volume is a whole lot different than accepting one parcel. There's much more work involved in accepting a single piece than there is in accepting 50 or more pieces from a customer who brings them to your back platform, uses a postage meter, and has already affixed the postage. It's a heck of a lot cheaper."

Through greater volume, Mr. Bolger hopes to increase revenue enough to avoid increased rates.

"We made it for two and a half years before, and my goal is to make it at least to 1981 without a general increase.

"We had extremely low postage rates for years," he says, "but that didn't mean that somebody wasn't paying the bill. The rates were low, but the subsidies were extremely high."

Currently, the income of the postal service includes a subsidy of nearly a billion dollars from Congress. The agency's deficit was reduced from $1.2 billion in fiscal 1976 to $379 million in fiscal 1978. Mr. Bolger hopes to wipe out the deficit in fiscal 1979 and perhaps finish with a surplus.

Monopoly essential

In trying to live within its income and still provide service at a reasonable rate to everyone, from the resident of a remote Indian village to the businessman in New York City, the postal service must keep its monopoly on letter mail, says Mr. Bolger.

"I'll resist with every fiber of my being any legislation to make it easier for private delivery systems to operate," he says.

But business people who use private delivery services point out that the postal service would never have had any competition if it had provided good service in the first place.

"We were getting such lousy service



With these modern machines, a dozen operators can sort 43,000 letters per hour to 277 locations. Starting July 15, the postal service will ban tiny envelopes and charge extra for those too large to fit the machines.

from the post office that we started using a messenger service," says one. "Now we're going to lose that."

One of the ways the postal service is fighting to keep its monopoly is through more inspections of what is being sent by private carrier and letters warning shippers that sending letter mail by that method is against federal law. Individuals running delivery services are subject to a maximum fine of $500, six months in jail, or both for each violation. The customer may be fined up to $50.

Paid for not delivering

To be within the law, anyone sending letter mail by private courier would have to affix the required postage for sending the piece through the postal service, cancel the postage, and then pay the courier for delivery.

"In other words," says an attorney for one courier service, "the postal service insists on being paid for mail it doesn't deliver. I can't think of any other monopoly that has such a sweet setup.

"It would be unheard of, for example, for a power company with a monopoly to refuse to run its lines to some location and than try to charge for the service if another company agreed to do so."

Mr. Bolger retorts that it is a responsibility of government to provide a good postal service for the public. "That's why I'm fighting so hard on the private express statute. We have competition in everything but letter mail, and that's fine, but if a delivery service wants to compete on letter mail, then it should have to serve everyone."

Operators of private delivery services and many of their customers contend that the postal service itself does not serve everyone with express mail. They say they are less upset by the postal service wanting to get into express mail as a competitor than by what they consider the use of government muscle to try to put them out of business.

Salesmen with badges

"A salesman who carries a badge can be a tough person to refuse," says a representative of a Washington courier service whose customers had been visited by a postal inspector. The inspector first told them they were violating the law by using the courier service to send letter mail and then explained what services the postal service could provide.

Customers, for the most part, say they simply like the freedom of choice and would use whatever method seemed to work best for them in any given situation.

While the postal service's express mail service is still in the experimental stages pending the outcome of hearings by the Postal Rate Commission, delivery services and their customers are concerned about this new revenue-producing plan of the postal service.

Classic case

"It's a classic case of the government competing with small business," says Milton D. Stewart, chief counsel for advocacy for the Small Business Administration, who intervened over protests by the postal service as a party on behalf of small messenger services at the commission hearings.

The additional revenue the postal service hopes to gain from this operation, says Mr. Stewart, "is going to come right out of the hide of small business."

Al Claseman, president of SES, Inc., an accounting firm in St. Paul, Minn., says that having to send computer printouts, ledgers, and other such materials as first-class mail "puts a terrible burden on small businesses." As a result, his firm delivers much of its own mail within the city.

Asked if he would use a private service if he could, Mr. Claseman replied: "Oh, you bet I would! I'd even start my own delivery service."

Yet he is willing to look at the prob-

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United Parcel Service is one of several private delivery services competing successfully with the postal service.

lem from the point of view of the postal service. "You have to look at the total, overall situation of giving service to everyone," he says. "But I think the post office should go back to classifying a lot of this material as printed matter. It would do more business."

Elaine W. Donaldson, controller of Donkirk Tool Supply, Inc., in Covina, Calif., also thinks the new regulations are particularly hard on small businesses. "We rely primarily on UPS because we can depend on it. We can't say enough good about it."

First is worst

She says the worst problem that she and her husband have is with first-class mail. "Whatever is wrong with the mail, the problem is tenfold for small businesses. When checks are late coming in, our cash flow suffers. While big businesses may benefit from this delay at times, small businesses are hurt by it."

The Donaldsons have tried using the postal service's express mail and find that it works well. "But," says Mrs. Donaldson, "in the areas where it is offered, one-day service should be available without paying extra for it."

And then there are the complaints that mail frequently goes astray.

"We all make mistakes," Mr. Bolger says. "But I think most people, except perhaps a surgeon, would accept a one percent error rate. And if we operated at a one percent error rate, we would have two and a half million pieces of mail going astray because we handle 250 to 300 million pieces of mail a day. We just don't have that many going astray.

Horror stories

"Of course, you get these horror stories, and I don't dispute them. It happens. A crosstown letter may get sorted wrong and go from Washington to the West Coast or into the foreign mail and not get back for 30 days. But that doesn't happen often."

But when mail does go astray, it can be memorable. It certainly was for Richard P. Rush, director of the small business department of the California Chamber of Commerce.

He and his wife decided to register to vote by mail. So they filled out their cards and dropped them into the same mailbox. In a few days, his wife received her registration, but he did not. When he asked about it, he was told that his registration was rejected because it came in after the deadline.

Mr. Rush, who had to go to court to get registered, lost substantial faith in the postal service. He says the same sort of error happened to about 500 other California voters.

These things do happen

Mr. Bolger acknowledges that with greater automation these things can and do happen. "The sortation error rate isn't any greater, but the errors can be bigger before they are caught," he says. "But overall, I think the postal service is doing better than ever before."

This raises a question from the private delivery services: "If the postal service is really doing such a good job, why is it so afraid to compete fairly with us?"

Legislation, which the delivery services say would make for fair competition, was introduced in the last Congress. The bill would permit certain time-sensitive letters to be carried by private delivery services without postage being affixed and canceled, providing the postal service was unable to meet the sender's needs.

Another alternative some couriers say they could live with would be a change by the postal service in its definition of letter mail. If computer printouts, press releases, instruction sheets, and ledgers could be designated as printed matter, private delivery services say they could compete and survive.

But, for now, Mr. Bolger says he is "not going to give up any part of our monopoly."

It may be another ten months before the Postal Rate Commission makes a final decision on express mail, and in the meantime, Mr. Bolger says, the postal service is also working on other ways to improve, such as more courteous treatment of customers.

Mr. Bolger, a 38-year veteran of the postal service, says he thinks memories of three-cent stamps and postmen who knew everyone in town frequently keep people from seeing some of the improvements in mail service.

Better than before

"It's been less than ten years since we started sending all first-class mail by air," he says. "Before, it went by train. So whatever we're doing now, it has to be better than what we were doing before. But people associate any failure to make a three-day trip across the country with a deterioration in service. It's not. It's still better than it used to be."

Despite its critics, the postal service apparently is considered by the public to be doing a better job than some other types of services. According to a Roper survey taken last spring, the public's perception of value for service received ranked mail service higher than doctors, life insurance, telephones, hospital care, electricity, auto insurance, TV repair, local property taxes, home repair, auto repair, and federal income taxes.

Bulk packages

However, the postal service continues to face increasing competition and demands for change, even from heretofore in-house customers. For example, the Internal Revenue Service expects to save about $2 million of the taxpayers' money this year by sending most of its bulk mail by private carrier.

"The postal service would have to charge considerably more in order to deliver our bulk packages with the same quality of service and in the same length of time," confides an IRS spokesman.

Which confirms what Mr. Bolger clearly recognizes—competition is the name of the game. □

Slower GNP Growth Ahead

AFTER FOUR YEARS of relatively stable economic expansion, the annual growth of the U. S. gross national product is expected to slow somewhat—to 2.5 to three percent in 1979 and two to 2.5 percent during 1980.

That is the latest prediction from the Forecast and Survey Center of the Chamber of Commerce of the United States, which says this slower growth will likely be accompanied by double-digit inflation, declining profit margins, higher interest rates, and unemployment rates reaching 6.5 percent.

Major factors causing the expected slowdown in economic activity are declines in housing construction and slower growth of retail sales and public sector spending. Inventory investment is expected to increase during the first two quarters of 1979 due to sharp increases in inventory book values, but this will not be enough to offset slower growth of consumer expenditures and residential investment.

Money supply

Real business fixed investment is likely to increase at only one half the rate experienced in 1978 and may decline by the end of 1979 as overall output slows, interest rates peak, and money supply shrinks. Despite higher than anticipated increases in the price of crude oil, the merchandise trade balance should improve.

Both consumer and producer prices are forecast to grow at double-digit rates during 1979 and remain above eight percent during 1980. This surge is mainly caused by price increases for farm products and imported crude oil and public sector policies and regulations such as increases in the minimum wage. Inflation will likely moderate in the latter half of 1979 because of slower economic growth and declining growth rates in wholesale food prices.

Government securities

Short-term interest rates are likely to increase modestly before midyear, with the prime rate up to 12 percent. Long-term rates are expected to remain at the nine to ten percent level throughout 1979 and 1980. Short-term rates should decline one percent by the beginning of 1980.

After-tax profits, adjusted for inflation, have grown very slowly during this recovery period, causing the rate of return on corporate investment to be much lower than the rate of return on government securities.

Since 1975, the after-tax corporate rate of return, after adjustment for inflation, has averaged about 6.3 percent; ten-year Treasury bonds have averaged 7.9 percent.

Real after-tax profits are forecast to decline sharply during 1979 and by the fourth quarter of 1979 will have decreased 16.1 percent from the fourth quarter of 1978. □

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Export Consciousness Raising

The administration's goal is to overcome protectionism and trade barriers

WHEN I grew up in Stamford, Texas," says Robert S. Strauss, "the whole world seemed to depend on whether it rained or not five miles from the square. If it rained, we had prosperity, because cotton grew. If it didn't rain, we had depression, because we had no cotton. And no one paid any attention to what went on in London, Paris, or Hong Kong."

Mr. Strauss, the chief trade negotiator for the United States, uses this homely example to show how far the world has moved toward economic interdependence.

"It is essential that we pursue increased exports worldwide," says Mr. Strauss. "Yet, there are constituencies in every country demanding protective actions by their government."



Easing of international trade restrictions could help improve the volume of U. S. exports such as these Caterpillar Tractor Co. products.

Hottest issues

President Carter's new export policies call for reductions in domestic barriers to exports and in foreign trade barriers and subsidies. These proposals will be among the hottest issues debated by Congress this year, says Mr. Strauss, and will directly affect congressional reaction to any proposed trade treaty.

While seeking to remove barriers to exports, Mr. Carter is also urging Congress to phase out the tax provision under DISC—Domestic International Sales Corporation—which many consider a useful incentive to exports. Congress is expected to finish with export legislation by September.

"The administration may treat this as an export package, but we don't," says a congressional staff member. "There are at least half a dozen committees working on various pieces of export legislation."

U. S. negotiators and those of 22 other nations have signed the new provisions of GATT (the General Agreement on Tariffs and Trade), but many in the European community believe that the United States is becoming more protectionist, not less. They point to congressional delay in extending the authority to waive countervailing duties—penalty tariffs to offset certain types of subsidies on exports to this country.

The extension, finally passed in March, was considered a pivotal issue at the multilateral trade talks.

At the recent Tokyo round of negotiations, the European Economic Community complained that the United States, while removing one trade barrier, was replacing it with another. The Europeans claimed that U. S. tariff protection for chemicals would rise from 12.5 percent to rates of 20 percent or more before falling to 10.5 percent by 1987.

Europeans were in no mood to accept Mr. Strauss's urgent plea for reduced EEC tariffs on paper products so that the U. S. paper industry could maintain its competitive edge in European markets.

The U. S. delegation fared better with Japan. The Japanese agreed to reduce their planting of oranges and import them from the United States. They also agreed to cut beef production and allow imports of beef from the United States and Australia.

Tentative approval

Unlike previous trade negotiations, the Tokyo round dealt mostly with nontariff barriers to international trade and procedures for enforcing the agreements.

Roy Jenkins, president of the EEC, called the treaty talks "the biggest and



Frank Weil, assistant secretary of Commerce for industry and trade, says that the only way Americans can reduce the enormous U. S. trade deficit is to put more emphasis on selling goods abroad.

most ambitious of postwar trade negotiations." The package on which the EEC agreed, Mr. Jenkins says, includes a major tariff reduction, a substantial agricultural settlement, and a major strengthening of GATT.

Orderly international trade would be assisted by the establishment of codes on standards, customs valuation, countervailing duties, and government procurement. The pact, which Mr. Jenkins said would give the world "a greater chance of a freer trading system in the 1980s," would reduce the EEC's import tariffs against U. S. goods by about one third.

The United States and the EEC also achieved balanced concessions on trade in agriculture.

But all trade agreements will need congressional endorsement and enabling legislation. And domestic interests that fear too much competition from imports are ready for a protracted debate.

Uneven distribution

A Congressional Budget Office report points out that there would be an uneven distribution of benefits for American industries from trade liberalization.

But overall, the report says, the removal of trade barriers as envisioned by the negotiators may increase or decrease net U. S. exports by no more than $1 billion or $2 billion over several years.

"Macroeconomic considerations will not serve to argue strongly either in favor of or in opposition to liberalized trade," the report says.

The real importance of the negotiations, it concludes, is not their economic potential but their political achievement in dampening protectionist sentiment.

Frank Weil, assistant secretary of Commerce for industry and trade, says: "Americans must realize we now have a trade deficit. The only answer to that is to sell more abroad."

The $30 billion deficit in 1978, about 1.5 percent of the gross national product, has a substantial bearing on the value of the dollar.

"As the dollar is undervalued, the cost of foreign goods rises, and it takes

Outward Bound Help for Small Business

President Carter included a boost for small business in his export package.

The Small Business Administration, he says, will set aside up to $100 million for loan guarantees to help small business exporters get into foreign markets.

Small exporting firms meeting the SBA's qualifications will be eligible for loan guarantees totaling up to $500,000 to expand production capacity and ease cash flow problems involving overseas sales or initial marketing expenses.

"I am directing the Office of Management and Budget to allocate an additional $20 million in annual resources to assist U. S. firms, particularly small and medium-size businesses, in marketing abroad," the President says.

The program will include:

- A computerized information system to provide exporters with prompt access to international marketing opportunities abroad and to expose foreign buyers to American products.

"We have the information now," says a department spokesman, "but it takes time to dig it out of the files and send it. By putting information about available products and companies interested in buying such products into a computer, we could make things a lot easier for exporters."

- Risk-sharing programs to help associations and small companies meet initial export marketing costs.

Through this program the Commerce Department would share the expenses of smaller firms that enter the export market. Once over the costly hurdle of entry, a firm could repay the loan from its profits.

- Targeted assistance to firms and industries with high export potential and intensified short-term export campaigns in promising markets.

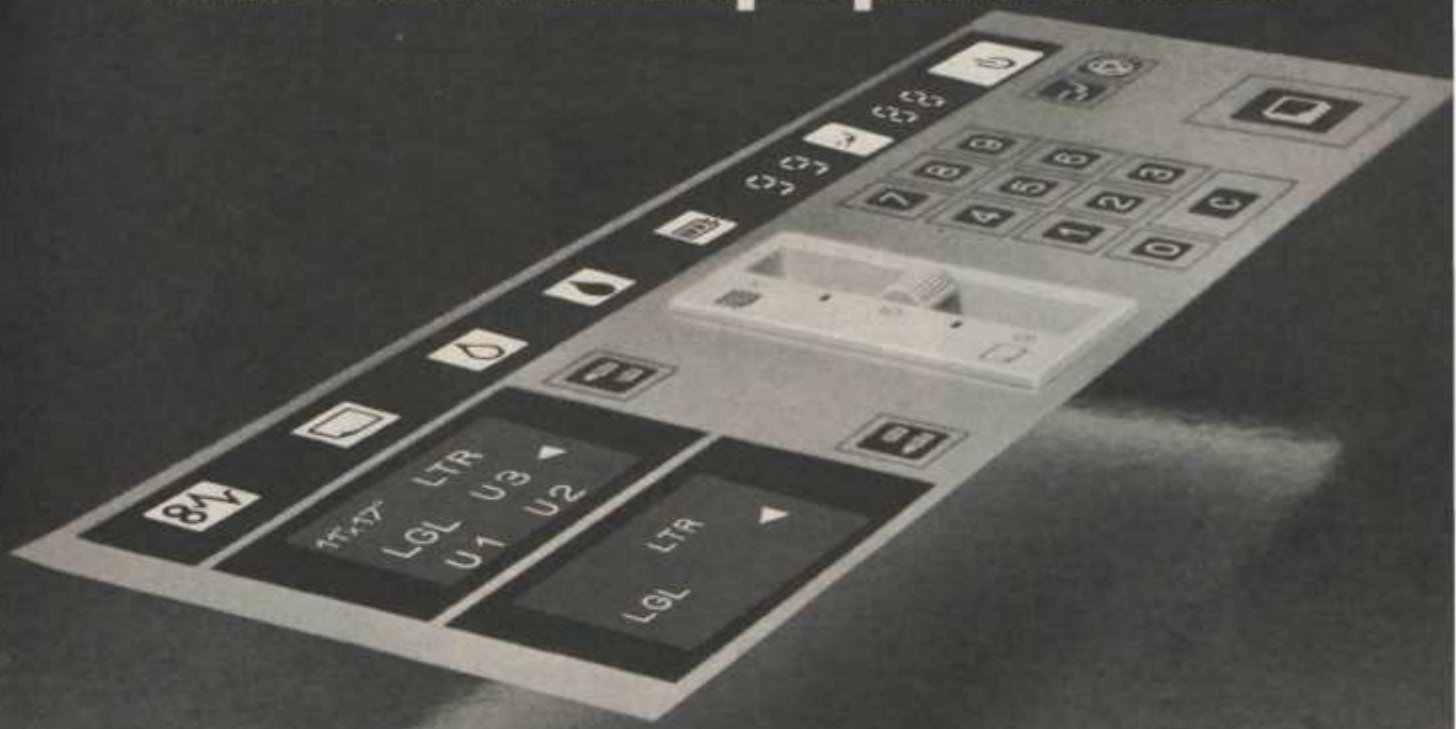
These campaigns would give specific industries maximum exposure in countries with good sales potential. Three such campaigns are planned for 1980, and unlike the usual trade fair, they will last for several months to ensure market saturation.

The Commerce Department has asked Congress for $9.2 million to help business in the export market.

One of the problems Commerce plans to tackle is that of getting buyers and sellers together without the usual lengthy and expensive procedures. It proposes a computerized World Information Trading System, which could speed up the transfer of such information.

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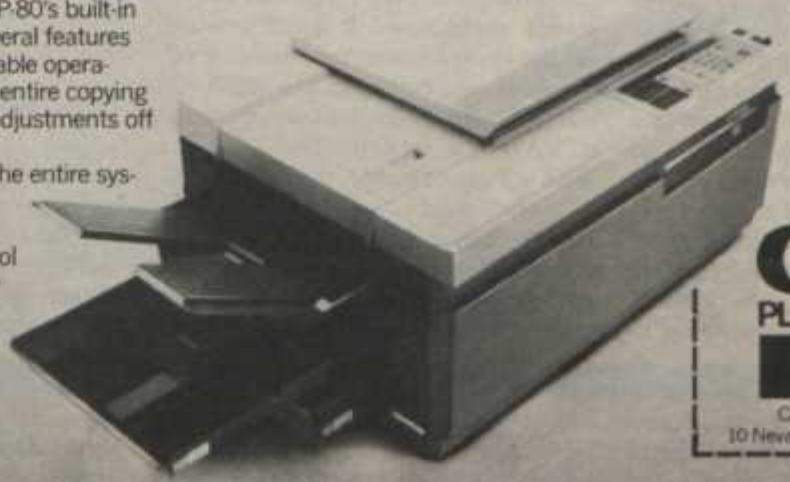
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Special Trade Representative Robert Strauss urges members of the business community to support the Carter administration's trade policy.

more dollars to buy that Japanese car or television set. As the cost of foreign goods rises, they become less competitive with domestic goods, and domestic prices rise, too," says Mr. Weil.

He adds that the new export policy should be looked at as a step in the right direction. But business cannot expect any major changes to take place overnight.

Richard L. Lesher, president of the Chamber of Commerce of the United States, says the President's new export policy is "a significant step toward fulfilling our tremendous export potential.

"At a time when the United States is experiencing record trade deficits and the dollar continues to plummet," he says, "we are pleased by President Carter's firm commitment to make export expansion a top priority national goal."

Dr. Lesher added that the President should give further consideration to a variety of fiscal incentives designed to increase productivity.

Japan and Germany each provide 13 such incentives to their exporting companies. The United Kingdom offers 14 and France grants a total of 18 incentives or subsidies to stimulate exports. These incentives include sales and value-added tax refunds, income tax exclusions, special subsidies for research and development, and offsets for currency fluctuations.

Right direction

By comparison, the United States provides only limited Export-Import Bank financing and one export tax incentive, DISC.

The President is asking Congress for an additional $500 million in fiscal 1980 to improve Eximbank's competitiveness.

"The bank is also moving to simplify its fee schedules and to make its programs more accessible to smaller exporters and to agricultural exporters."

In addition, the President has directed the heads of all executive departments and agencies and the Council of Economic Advisers to review export policy.

He prepared two Executive Orders. One, intended to clarify requirements of the National Environmental Policy Act for exporters, has been signed. The other would reconstitute and expand the President's Export Council, which will report annually to the President through the Secretary of Commerce.

Revolutionary concept

Subsidies, however, will continue to present problems, predicts Alan W. Wolff, deputy special trade representative. And for U. S. businessmen, many of those problems will involve DISC, which other trading partners regard as a subsidy.

Mr. Wolff says that the recognition during the trade negotiations "that even domestic aids can distort trade," was a revolutionary concept. "It's the first time that idea has been taken up."

But it may take years to develop agreement among nations on what constitutes a subsidy. The lack of consensus might make it more practical for the United States to consider a value-added tax instead of the controversial DISC. Other nations do not think of VAT as a subsidy. [See "The Tax With a Funny Name," page 78.]

As the export policy is implemented, other problems may arise.

Lee L. Morgan, chairman of the board of Caterpillar Tractor Co., says: "The policy is aimed in the right direction, and it's welcome as far as it goes. The long-term results obviously will depend on how its various elements are implemented."

But John B. James, chairman, president, and chief executive officer of Dresser Industries, Inc., sees a serious problem for multinationals and large exporters.

"The United States has linked its trade policy with its political policy, and I think that is a bad mistake," Mr. James says.

"It becomes more and more difficult to do business when other countries are asking whether we will be a reliable trading partner."

"It is time to make export expansion a high priority in this country," says Howard L. Weisberg, director of international trade policy for the National Chamber. General export consciousness must be aroused, in both the public and private sectors.

Similar approach

"Simply enunciating a policy for export expansion is not enough," he says. "Foreign governments frequently set export expansion targets to achieve public policy goals, and it would be useful for the U. S. government to adopt a similar approach."

But, he adds, "for all that federal, state, and local governments can do to promote export expansion, the actual expansion rests with private enterprise."

Some of the ways in which private enterprise can promote export consciousness and increase its presence in foreign markets include:

- More concentration by industrial and agricultural firms on identification and development of an export market.
- More research on ways to adapt products and services to foreign requirements.
- More corporate resources to promote exports and to ensure deliveries, service, and fulfillment of warranty commitments.

And the National Chamber's task force on export policy admonishes: "Private enterprise should refrain from singling out exports for blame in times of domestic shortage."

Easy market

Even blunter, Mr. Strauss blamed the U. S.'s poor position in world trade on laziness. "We've gotten lazy because we've got a real fat, easy market here.

"Probably today, there are 12,000 to 15,000 very competent Japanese individuals in New York selling Japanese products against American products," he says. "They speak English well. In Japan, of 75 Americans, maybe two speak Japanese. You know how we come out." □

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MARCH SOUND OFF RESPONSE ON PAGE 54.

Should the Senate Limit Outside Income?

SHOULD ONLY the wealthy be able to serve in Congress?

Today, senators and representatives are paid $57,500 a year plus fringe benefits. But the Senate recently decided this compensation wasn't enough for its less affluent members to maintain senatorial body and soul. The senators tossed out the restrictions on outside earned income they had adopted in 1977.

At a time when the Carter administration is trying to hold down salary increases, this potential pay increase has provoked much criticism. Yet, the senators have some strong arguments.

It all started as part of a revised code of ethics. The cap on outside income earned by members was to go into effect last January. It would have limited a senator's or representative's honoraria to 15 percent of salary or $8,625 annually, with a maximum of $1,000 for a speech or an article.

There was, however, no limit on unearned income such as dividends from stocks and bonds and money derived from family businesses. Those senators with unearned incomes would also be able to earn an additional 15 percent of their salary in honoraria instead of the $25,000 annual limitation set by the 1976 Federal Election Campaign Act.

But in March, the Senate voted to delay for four years the lower ceiling and stay with the $25,000 limit and a maximum single honorarium of $2,000. The House has stayed with the lower ceilings.

Those who favor a lower earned income cap for senators contend that all honoraria should be prohibited unless the money is turned over to a charity, because senators use their taxpayer-paid staffs to prepare articles and speeches. Others question whether senators should leave Washington to earn outside income while the Senate is in session.

Some advocate a limit on all income, unearned as well as earned. They say the 15 percent cap on earned income is reasonable and would prevent the appearance of impropriety.

But a majority of the senators disagrees. Some say the high cost of being a senator could eventually lead to the Senate becoming a millionaires' club.

While an annual salary of $57,500 plus benefits is a handsome sum, some senators point out that those without large unearned incomes must maintain two homes, entertain and travel, and campaign for reelection. Often, they contend, there isn't enough left over to pay for a college education. A family, they say, shouldn't be penalized because there is a senator in the house.

The senators say the material used in articles or speeches is gathered routinely by the staff so the senator can function as a legislator. They see nothing wrong if a senator is willing to work overtime.

What do you think? Should a senator's outside earned income be limited?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Wilbur Martin, Editor
Nation's Business
1615 H Street N. W.
Washington, D. C. 20062

Should a senator's outside earned income be limited? ☐ Yes ☐ No

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Readers Support Defense Spending

"I AM SICK of liberals. I am sick of welfare. But I am not sick of freedom," says Raymond Kohler, district vice president of Western Title Insurance Co., San Bernardino, Calif.

Mr. Kohler was responding to the March Sound Off question, should defense spending be cut? His emphatic reply against curtailed military appropriations reflects the views of most of the people who responded.

A guns-or-butter battle is brewing over the increase in defense spending that President Carter has asked Congress to approve.

Major critics contend that the extra funds for defense will be taken from the coffers of social programs. They feel that in the anti-inflation atmosphere surrounding overall government spending, the underprivileged will ultimately shoulder an unfair portion of the burden.

Supporters point out that the United States is already spending less for defense than for social programs. In constant dollars, the government spends less for defense today than 15 years ago. They say the increased appropriations are necessary to meet the U. S. commitment to NATO and to stem the tide of Soviet advances in weaponry and military manpower.

"I wonder what kind of social programs we would have under Soviet control?" asks Roger H. Hughes, administrator of the Medical Arts Clinic, Ardmore, Okla. "It always amazes me," he says, "that the liberals seem to think that defending this great country just happens."

Leroy E. Radtke, manager of the food service division of L. D. Schreiber Cheese Co., Inc., Green Bay, Wis., is also against cutting defense spending. He suggests that the government increase spending in an all-out effort to catch up with the Soviets. "We are so far behind them now that if there were a war we would have literally no chance of winning," he says.

According to James E. Stroh, director of operations for the engine division of the Kohler Co., Kohler, Wis., the United States must not only be able to defend its national borders but also be strong enough militarily to influence world monetary and energy policies. He voted no to reducing present defense spending.



"Defense spending is a must if we intend to remain a free nation," says H. Randolph Holder, president of Clarke Broadcasting Corp., Athens, Ga. He feels the U. S. needs the cruise missile and the new B-1 bomber, above.

Fred P. Ruth, president of the F. P. Ruth Agency, Inc., Reading, Pa., votes no and says we ought not to forget history. Quoting Teddy Roosevelt's philosophy, he suggests that the nation "speak softly but carry a big stick."

"The Defense Department is bloated and wasteful," contends A. Jackson Allen, senior associate at AJAX and Allen Co., Inc., Davenport, Iowa. "Slimming and conditioning are in order." He favors cutting defense spending. One of the major benefits would be to show that even sacred cows are not immune to good management, he says.

Joseph Terranella, controller at Seminole Petroleum Co., Inc., Sanford, Fla., agrees. "If our business community were as cost-inefficient as the Defense Department, we would all be bankrupt."

Kevin A. Morrison, president of Auvergne et Cie, Inc., East Longmeadow, Mass., does not want to see defense spending cut. He feels that it provides more than the obvious. "It also provides jobs in the private sector, generates a tangible product in the form of defense hardware, stimulates research that carries over to society as a whole, and helps alleviate inflation," he says.

"To provide for the common defense is explicitly stated in the Preamble to the Constitution," says Robert L. Barber, a certified management accountant in Albuquerque, N. M., who is against a cut in defense spending. "National defense is a primary function of government."

"We should stay strong militarily," urges John Flessner, vice president of Rocket Supply Corp., Roberts, Ill. He says the United States should make and deploy the neutron bomb and let it be known loud and clear to its adversaries. "Stop pussy-footing around," he exhorts.

Paul J. Mitchell, vice president of corporate affairs for Carl Karcher Enterprises, Inc., Anaheim, Calif., also answers no. "We are spending too much to weaken the resolve of our people through social programs and not enough to strengthen the resolve of our nation through an adequate financial commitment to defense spending."

Franklin Grant, owner of Bay Typewriter Co., Morro Bay, Calif., says that "if we continue to cut defense spending, we will have to increase educational spending because we will have to teach our children Russian." □

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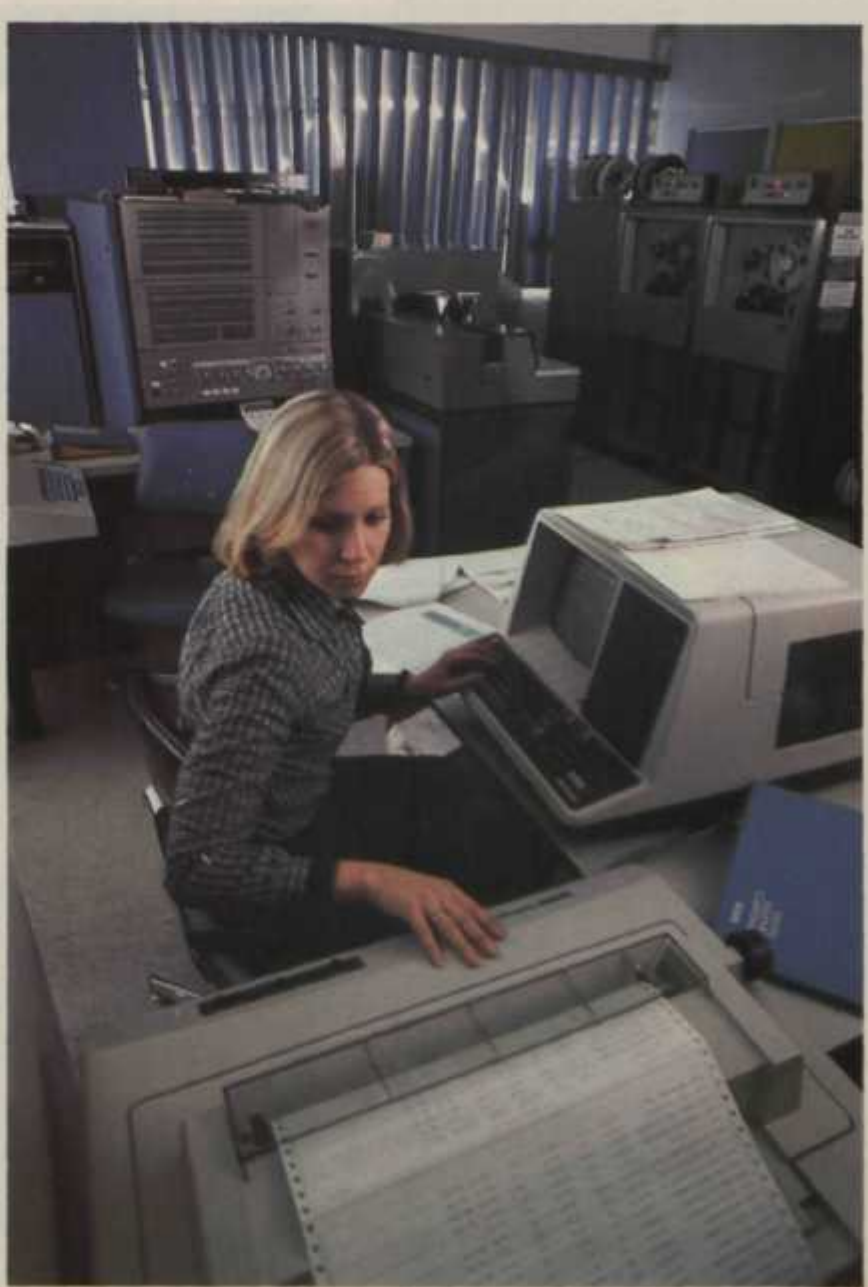
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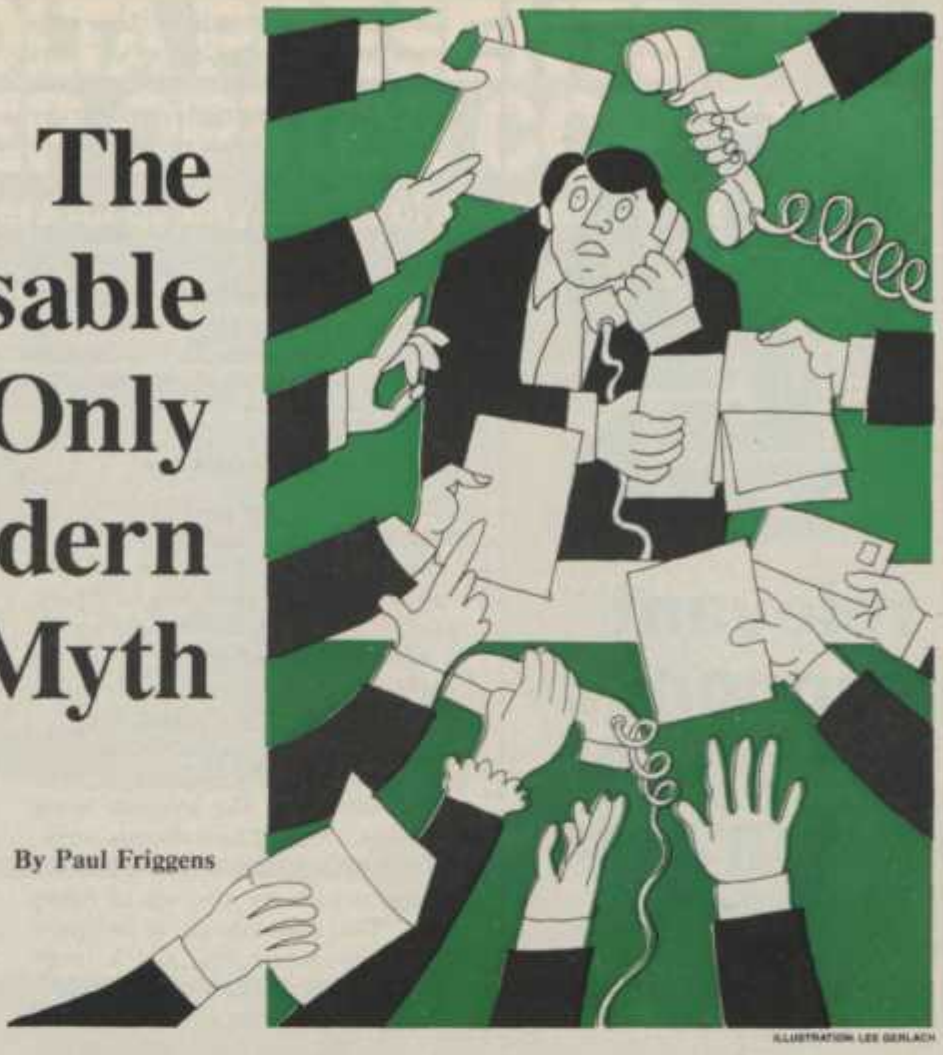


ILLUSTRATION LEE GERLACH

By Paul Friggens

LEAVING the Mayo Clinic in Rochester, Minn., after treatment for ulcers and hypertension, I pondered my doctor's parting advice: "Don't catch any trains or planes you don't have to catch."

Three months later, I had fully recovered and was tackling a tough magazine assignment in Washington, D. C. After a fatiguing day, I dashed back to my hotel with just 17 minutes in which to catch a 5 p.m. train to New York. I tossed my things into my bag. Rushing from the room, I suddenly recalled my doctor's words.

I put down my bag, kicked off my shoes, loosened my necktie, and stretched out on the bed for a brief nap. I would catch the six o'clock instead. That decision may have saved my life.

Missed train wreck

Twenty-two minutes and 22 miles out of the capital, the air brakes on the five p.m. train locked, derailing seven coaches. The wreck of the train I didn't catch killed five people and injured 95 others.

As my delayed train pulled around the floodlit scene late that evening, I reflected on my close call. For years, I had been traveling more than half my time, a slave to schedules and deadlines. Like other so-called important people, I carried my 100,000-mile card from one airline.

"You're the typical high-pressure, highly competitive American, the doer we call Type A, and you're a high-risk candidate for a heart attack or a stroke," my doctor had warned.

All this happened nearly 25 years ago, but I have been following my doctor's priceless prescription ever since.

A lean, salty man who minces no words in treating the Type A patients who flock to the Mayo Clinic, Dr. Philip W. Brown told me:

"The lesson you've learned is worth infinitely more than any medication we can possibly prescribe for today's frenzied living. I wish I could persuade more people to stop knocking themselves out. As we grow older, we should develop a more unhurried philosophy of living."

But how does the responsible, conscientious individual, juggling time, family, and career while striving to win a place in today's upwardly mobile society, manage to slow his pace, outwit the competition, and still keep his sanity and health? Psychiatrists and therapists are developing a highly profitable business from stress management and relaxation techniques—everything from Yoga exercises to biofeedback.

These therapies have some value, but I have discovered three simple imperatives that relieve stress.

Don't fool yourself that you're indispensable.

"In three words, I can summarize everything I've learned about life," poet Robert Frost said at 80. "Despite all our fears and worries, life goes on. It always has. It always will."

No matter how vital or important your job, how high and powerful your position, no one is indispensable. Your place can be filled, and life will go on. Some years ago, eight top executives of a leading U. S. corporation died when their company plane crashed in an Ohio wheat field. What happens to a company after such a catastrophe?

MR. FRIGGENS, *who lives in Boulder, Colo., retired as a roving editor for* Reader's Digest.



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"Naturally, the deaths of these men were a great personal loss to us," says a company official. "But the company's wheels haven't stopped grinding by any means. We have able men ready to take their jobs."

The Ohio tragedy underscores a blunt truth: No matter how seriously you take yourself or your job, life goes on, and the world will manage without you. As Harry Emerson Fosdick said: "The great day comes when a man begins to get himself off his hands."

How?

Tempered responsibility

"Temper your excessive sense of responsibility," says Dr. Brown.

Don't think that you have to be everywhere, take a hand in everything, make all the decisions, and then wind up a whirlwind day jetting across the continent or overseas to attend a breakfast meeting in the morning.

"Keep up this pace, and you are likely to develop tension headaches, stomach troubles, and the irritable bowel syndrome," Mayo Clinic doctors warn.

Not long ago, my taxi to Chicago's O'Hare airport got tied up in heavy traffic. The combination of bellyaching, fidgety passengers, and a tough day caused the cab driver to explode.

When he turned to me, I told him: "I don't care if I miss this flight to Washington. Jimmy Carter's not expecting me, and the world won't come to an end if I never get there."

"You must be nuts or something," the cabbie replied. I did make my flight, and at the airport the cabbie thanked me. "You helped my ulcer, too."

Calmest passenger

The ultimate in equanimity is illustrated by this story: One night during a severe thunderstorm, a flight was delayed over Omaha, Neb. As the airplane pitched and tossed, some passengers became ill, and nearly everyone was on edge, except one fellow intently reading a book and seemingly oblivious of the storm.

At length, the landing lights flashed on, and the stewardess informed the unperturbed passenger: "Sir, the airport says that a police escort is waiting to rush you to the auditorium for your speech."

It turned out that the calmest passenger had several thousand people waiting for him, but apparently he didn't consider his appearance important enough to ruffle his peace of mind. He wasn't the indispensable man.

Don't try to think for everybody.

One of the most common failings in business is the dynamic supervisor who says he has to think for everyone on his staff.

"Chances are you'll discover the company will run better without you," a highly successful businessman says after a six-week holiday with his wife.

At the time, the man's company was having internal troubles. "But I took off anyhow," he says. "And I should have gone sooner. I had been so busy running everything myself that I overlooked the potential in some of our younger men. They don't do things the way I do, of course—they do 'em better."

Needless burdens

Altogether too many egotistical executives, bosses, and employers are loath to delegate authority or are jealous of their prerogatives. These so-called indispensable people shoulder needless burdens and wind up in some clinic or hospital.

Instead of thinking for the whole office, cut loose from your briefcase, let up on the pressures, and take time out to enjoy family and friends, the beauty of sunlight on your tablecloth at breakfast, the laughter of children, the lost art of walking. And save a few minutes each day for quiet reflection. Thoreau was right: "Let your affairs be as two or three and not a hundred or a thousand. . . . Simplify, simplify."

Just as you shouldn't try to think for everybody, you shouldn't hog all the credit. Remember the motto: "There is no limit to what you can accomplish if you don't care who gets the credit."

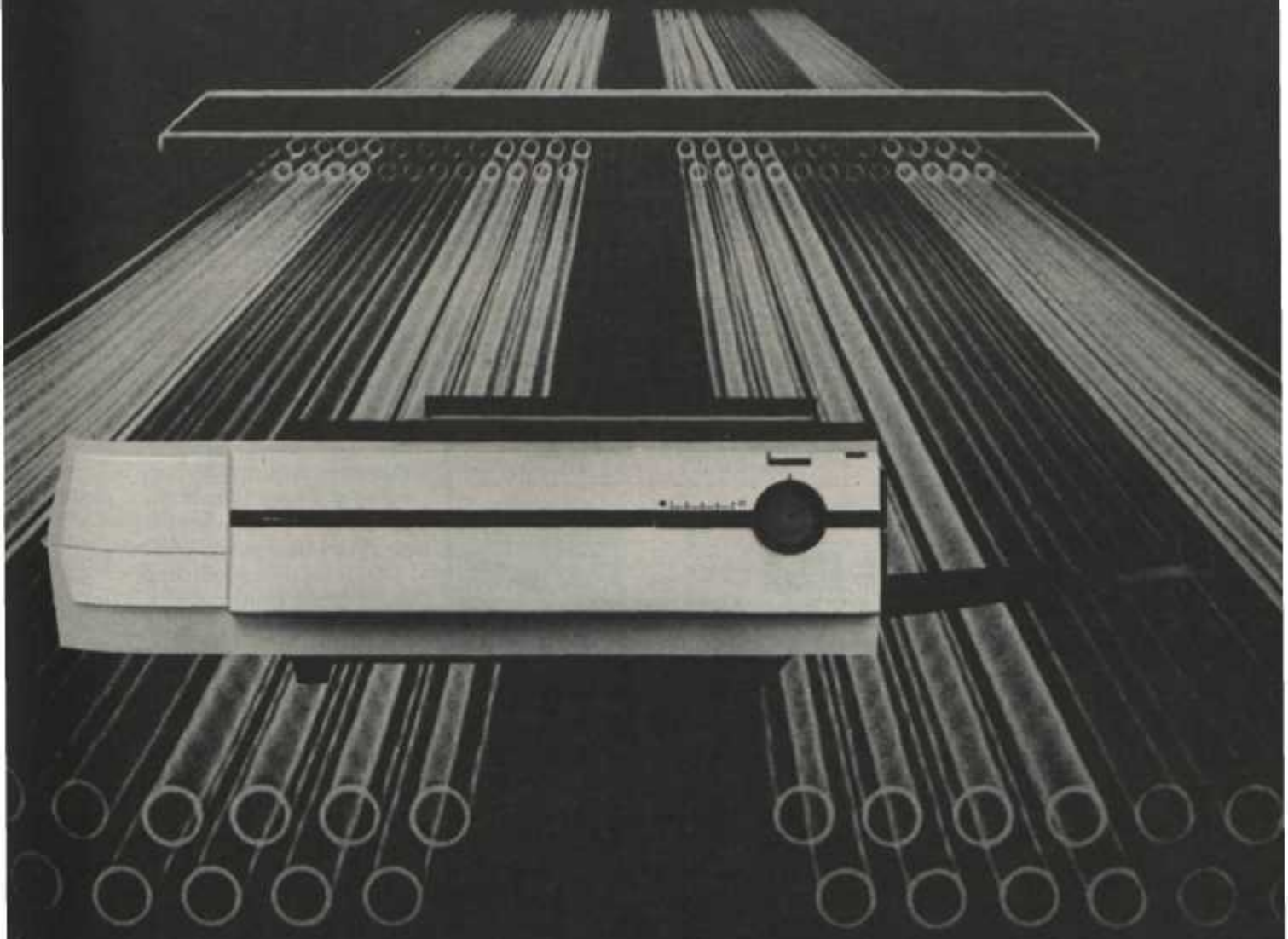
Through the years, I've followed the careers of two able men with vastly different approaches. One is a broad-gauged, positive executive who in any office discussion is likely to say: "Now, what do you think about this?" He stimulates staff thinking and input, and he is quick to credit an employee with a new idea or some worthwhile contribution. Sparking initiative and imaginative thinking, this man runs one of the most successful publishing ventures today.

Uphill battle

My second acquaintance is defensive and arbitrary. He usually opens an office conference on this note: "Now, let me give you my thinking. . . ." Immediately, he forecloses further thought and discussion. This poor fellow is fighting an uphill battle in his job.

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He's an overworked, lonely figure chained to his desk because he has never learned to share credit.

Don't think you have to run the town.

For years, my wife and I used to clock ourselves by community meetings of one kind or another. We still try to do our bit but are now more selective.

The turning point came the night I arrived home late from another fund-raising drive to find my family had gone to bed. But there on the kitchen table was an angel food cake with candles and beside it the greeting: "Happy Birthday, Dad." In my civic zeal, I had completely overlooked my birthday. I never want to be so indispensable to my community again.

Limit yourself to one or two activities a year, depending on the demands of your job.

Another point: Don't think you have to run every meeting. Whether it's an office conference, committee meeting, or community gathering, it is less stressful if you refrain from popping off with your opinions. Instead, wait for other, often wiser, counsel.

We could all benefit from a lot less pontificating by people who take themselves too seriously and monopolize or dominate the whole discussion.

As Sydney Smith said of Macaulay: "He has occasional flashes of silence that make his conversation perfectly delightful."

More females

While Type A males abound, doctors are treating more and more females for stress-related ailments as women compete with men in business and climb the corporate ladder. The able, aggressive women in management are just as susceptible as men to tension headaches, ulcers, and the other illnesses that prove a person is leading the pack in the rat race.

The secret for all is not only to temper an excessive sense of responsibility but also to harbor no illusions about indispensability.

Four years after his heart attack and ileitis operation, then President Eisenhower was asked at a press conference whether he considered himself indispensable for renomination.

Ike replied: "Did you ever think what a fate civilization would suffer if there were such a thing as the indispensable man?" □

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Burroughs



Amway Founder: a Salesman for Free Enterprise

By Wilbur Martin

JAY VANANDEL believes that "all problems can be solved." Ergo, anything is possible.

He also believes that to accomplish anything in life "you always have to have a dream. Then, everything you do, all of the decisions you make, keep you pointed in this direction."

And the reason anyone can get ahead in business in this country, he believes, is because of the competitive enterprise system, the American Way.

Under this system of ours, he says, "you can start your own business, whether a fruit stand, farm, distributorship, or whatever, and you can do your own thing in life."

Twenty years ago when the Amway Corp. began, its headquarters in Ada, Mich., was little more than a converted service station, with basement offices, one small truck, and two young partners.

Last year, Amway, now a worldwide company, had sales of more than $500 million, a 350-acre complex at Ada, and more than 300,000 distributors.

Billion-dollar ranks next

The company sold enough of just one of its hundreds of products, a dishwasher compound, to clean one night's dinner dishes for half the world's population. At its current rate of growth—sales for the first six months of fiscal 1979 are more than 50 percent ahead of the same period last year—Amway could join the ranks of billion-dollar companies in the next few years.

Mr. VanAndel, 54, is the new chairman of the Chamber of Commerce of the United States. As the chief elected officer of the world's largest business federation, Mr. VanAndel sees his main job as galvanizing the business community "to conquer inflation, to bring about changes in government that will eliminate inflation.

"It will be tough because the federal government will have to lower its level of spending," he says.

But the man who describes himself as an inherent optimist believes that the goal can be reached.

"I think people have begun to understand that money is not free when it comes from government. It comes from people's taxes. I think, too, people understand that inflation is caused by federal government activities, not by business, not by labor."

Flying school

A staunch advocate of people participating in the political process, Mr. VanAndel was also the first chairman of Citizen's Choice, the grass-roots organization affiliated with the National Chamber.

Mr. VanAndel and his partner, Richard M. DeVos, have been close friends since high school, and have been in business ever since they came back from World War II service to start a flying school. After selling out in 1949, they took off for a year to see the world by sail. But on the way to Haiti, their boat sank in a storm. Following their rescue, they spent six months in South America before returning to the United States to begin an import business.

The business wasn't all that successful, so they became distributors for Nutrilite food supplements. This worked out well, but after a decade that company had a managerial crisis that seriously depressed sales. The two friends decided to start their own organization, Amway.

The heart of Amway is its 300,000-plus distributors, each one an entrepreneur.

"Shop Without Going Shopping," the company's corporate slogan, really tells the company's story. "We offer the customers hundreds of products in their homes," explains Mr. VanAndel. "It's an extremely personal service.

"In many instances, our distributors are man-and-wife teams. They come into a home by invitation. You must not confuse personal selling with door-to-door, which is an old-fashioned system seldom used anymore."

Amway manufactures almost all of its own products, classified in six groups: home care, housewares, commercial, nutrition and diet, personal care, and a shopper's catalog of brand-name products.

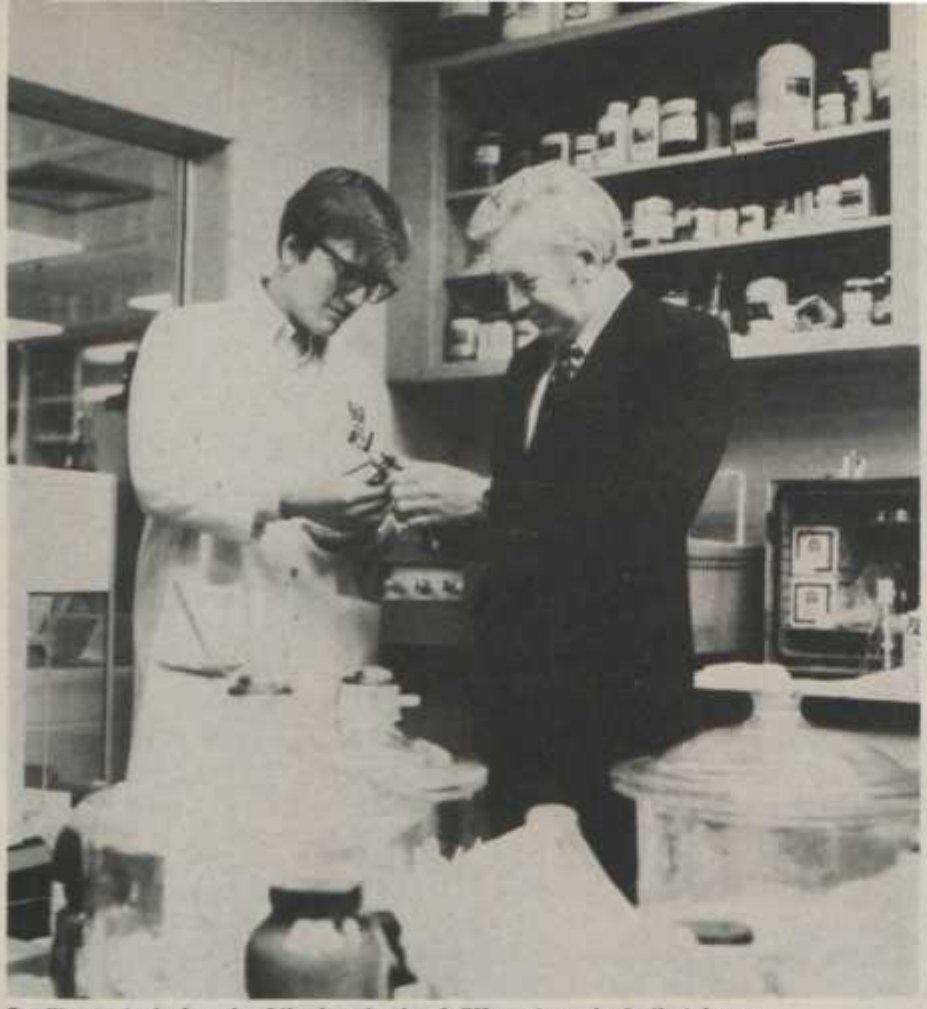
The company also owns the Mutual Broadcasting System, a Caribbean resort hotel, and another hotel in Grand Rapids, Mich.

Person-to-person selling

Products are sold on the same person-to-person basis in Canada, Puerto Rico, the Virgin Islands, Guam, Australia, the United Kingdom, Hong Kong, Malaysia, West Germany, France, Ireland, the Netherlands, and Japan.

A part of the nutrition division is called Nutrilite. A few years ago, Amway became the majority owner of the company for which the partners once worked.

A man who likes powerful cars and powerful boats, Mr. VanAndel has four sports cars, including one he says will go



Quality control of each of the hundreds of different products that Amway manufactures is ensured by an extensive laboratory system. Mr. VanAndel is shown observing tests being conducted by technician Ed Oosting.

200 miles per hour. "Of course," he adds, "I've never had it up that high."

The VanAndel and DeVos families have been next-door neighbors for 20 years; the partners act jointly as chief executives and set corporate policy for their global company at weekly meetings.

At the company headquarters, in the $3 million Center for Free Enterprise building, Mr. VanAndel talked with an editor of NATION'S BUSINESS about his new role as 1979 chairman of the National Chamber.

What is the biggest challenge facing business?

From the purely business standpoint, we have to take out of the free market system those activities which are slowing it down, especially certain government regulatory activities which are lowering productivity and increasing costs.

Without productivity increases and growth, the individual really hasn't much hope for a better economic future. I think the business community has a tremendous responsibility to help change the government's economic policy to make the future more optimistic for all citizens. In the fight against inflation, if we don't do something right now, it may soon be too late. The worse inflation gets, the harder it is to turn around.

Do you have a particular goal you would like to accomplish as National Chamber chairman?

Yes. I would like to continue the anti-inflation fight. I think my No. 1 goal is to do everything we possibly can to bring about changes in government that will eliminate inflation.

This means we are going to have to utilize the present conservative mood in the country and in Congress, too, to attack this problem. It will be tough, because it will mean the federal government will have to lower its level of spending. As soon as you try to do this, you have special interests who want everyone else's expenditure cut but not theirs. If we can cut government spending from 22.5 percent of the gross national product to about 18.5 percent over the next three or four years, and taxes, too, then I think we will really have done a great service.

I believe we can accomplish this through federal legislation, but I don't think legislation will permanently cure inflation. I think the permanent cure is going to have to involve a constitutional basis to limit federal spending and balance the budget.

What do you think caused this new mood in Congress about economic matters?

For one thing, I think the business community is speaking out. For a long time it did not. Now, the business community is pointing out some realities of doing business.

How would you define a phrase, business confidence, which keeps popping up in any discussion about economics?

Business confidence is related to the whole concept of what is news. People in the news business seem to believe that bad news is more salable than good news.

I suppose the term fits the prediction of the future, where is business going? Are we going to have a recession? It's easier to predict something bad than good. I believe you have to be careful with these gloom-and-doom predictions.

You said productivity is one way to cure inflation. How do you increase productivity?

I think productivity will increase on its own in a free market system, where each business manager is in competition trying to produce his or her products or services at a more economical level and outsell the other person.

Now, if you have some reserve capital from your earnings, you can buy some new equipment or build a new factory or store that is more efficient. When you do this, you produce a higher level of goods or services with a lower labor cost.

Some people might say this will create unemployment. In a growing economy, this is no problem.

We have a perfect example in our own plant. Amway has more than 4,000 employees. There are production lines which at one time employed 50 people. Because of improved equipment, those lines are now run by just three or four people. But the employees who previously worked on the lines didn't lose their jobs. They were absorbed into other areas as we grew.

What is the proper role of business in government?

Government's role should be that of a referee between the various institutions that need a referee. But when government becomes the opposing team and forces businesses to act in ways that are not wise, then I think it has gone way beyond what it should be doing.

What do you think are the obligations of business?

To the public, business has a responsibility to produce the best goods and services with honesty and integrity. When you do that, you are giving people the best value you can for the price you are charging. Then, you are not only making it possible for people to live well but also producing a surplus of revenue to reinvest, more jobs, and a better standard of living for all.

This surplus produced by the business system also provides for all the other activities in life such as education, the arts, medical care, organized religion, charities, recreation, and even our governmental system, through taxes.

Amway has shown tremendous growth in sales revenue in the past five years. Why?

First of all, we are in the personal selling business, in which the salesperson calls on the prospective customer in his or her home by invitation.

Now, people like to buy in the home because the mass merchandising systems of today are not very personal. We have hundreds of products that we can sell in the home, not only those we manufacture ourselves but also thousands of brand-name products. We can serve people in their homes. They never have to get out of their chairs to do most of their nongrocery shopping.

Some people were surprised when your company moved into the communications field with the acquisition of the Mutual Broadcasting System.

Oh, we are not inexpert in that field. In printed communications, we publish one magazine for our customers, which has a circulation of a million and a half. We also produce other magazines and a weekly newspaper that goes to our distributors and is translated into five different languages. We prepare audio-visual material for the more than 5,000 sales meetings that Amway distributors hold every week. We also prepare hundreds of thousands of tape cassettes with sales motivational messages and instructions as well as slide shows and films.



Amway has a huge printing plant at its world headquarters building in Ada, Mich. Speed Gray, manager of paper products, talks with the chairman beside one of the big color presses.

We have long advertised on radio; we feel it is one of the best means of communication, because it reaches people while they are working. We think the business world should be involved in radio.

There are some interesting tie-ins, too. We are looking forward to approval of a satellite communication system, which we can use for distribution of programming.

We probably will be able to use some channels for closed-circuit programming. In fact, we are looking toward the time when we can put on a sales meeting at 800 different locations all at once.

Let's talk a bit about you. I understand you garden a bit.

Oh, that's a little hobby. I really don't have time for a lot of hobbies, but I do have an interest in tropical fruit, which I grow in pots around my indoor swimming pool. It's heated. And I grow orchids in my greenhouse. I putter around a little after I take an exercise swim each morning.

Are you an early riser?

I am a lifelong late riser. I am very much a night person. There was a lot of night work when this business was being started.

We had to do a lot of recruiting of salespeople in the evening, and sales meetings were generally held at night. I got in the habit of working very late and sleeping later in the morning. I still do. I spend two or three hours catching up on reports and other things I must read before I turn in, usually close to 2 a.m.

So, anyone who wants me to attend a breakfast meeting at 7 a.m. had better forget it. Once you get geared to a pattern, you have to keep it.

What kind of books do you like?

I like some mysteries, but I prefer history and biography. Biography, to me, is a study of people, and I like history because it really helps you predict the future. I think when you run a business of this size, you have to figure out what is going to happen to be able to prepare for it.

I like to ski and hike. I have a collection of sports cars.

You look at your company as a people business, don't you?

This business is more people-oriented than any other I know. But all businesses are people businesses. In managing a business, you put together a hierarchy, which performs activities through the minds of people.

Beyond that, our business is selling consumer products. We have millions of customers and hundreds of thousands of salespeople. With that much involvement with people, it is important that you try to understand them.

You know, you never get away from your business entirely. But it helps to relax; you get a lot of good ideas and jot them down.

I understand you are a great memo writer. What are blue memos?



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Oh, we have a little thing here in the company of communicating with handwritten notes. My ideas are on blue paper, so I guess the blue notes have become known as coming from me. I almost never dictate a letter anymore, just little handwritten notes.

What is the big difference in running your company?

I think my partner and I have made a transition that very few entrepreneurs make. We have made the change from entrepreneurs to managers. Most entrepreneurs don't make this shift of gears, for a variety of reasons. Some never get very big, because they immerse themselves in the details of the business. They can't delegate, they become submerged, and they don't grow anymore.

A few others find that they have to bring in professional managers to help. Or they sell out.

Managing a large, privately-held enterprise such as this one is a little different than managing a public company. As founders, we know every aspect of the business, better than anyone else. While we are not concerned about stock prices or takeovers, we do have concerns of a different nature. Foremost are the health and welfare of our distributor organizations.

And there is no question that today we have to spend a large portion of our time in policy matters that result from government interference in business.

How does your company set policy?

There is a weekly policy committee meeting lasting one or two days. The committee is composed of my partner, who is president of the company, and myself, chairman of the board, plus staff members. All the policy for our worldwide operations comes here for final ratification.

If either of us is traveling, staff members get in touch. For instance, I once had a staff member who had never been to Italy fly to Rome, get off the plane, and go directly to my outgoing plane to ride all the way back home with me for the weekly policy meeting.

Is the climate today as favorable for an entrepreneur as when you began?

No, I think it is tougher. The entrepreneur who is starting completely on his own today is bound to be swamped by governmental regulations at one level or another: federal, state, or local. If an entrepreneur gets his head

National Chamber's Chief Officers



Vice Chairman C. William Verity, Jr.

C. William Verity, Jr., chairman and chief executive officer of Armco Steel Corp., Middletown, Ohio, is the new vice chairman of the Chamber of Commerce of the United States.

Mr. Verity has been a director of the National Chamber since 1973.

A graduate of Yale University, Mr. Verity joined Armco after Navy combat duty in World War II. He was named president and chief executive officer in 1965 and chairman in 1971.

Shearon Harris, chairman of Carolina Power & Light Co., Raleigh, N. C., is the new chairman of the National Chamber's Executive Committee.

Robert T. Thompson, senior partner in Thompson, Mann, and Hutson, Atlanta, Ga., is treasurer of the National Chamber.

Regional vice chairmen are:

Donald M. Kendall, chairman and chief executive officer, PepsiCo., Inc., Purchase, N. Y.

Tom B. Scott, Jr., president and chief executive officer, UNIFIRST Federal Savings & Loan Association, Jackson, Miss.

A. Dean Swift, president, chief administrative officer, and director, Sears, Roebuck & Co., Chicago, Ill.

Russell H. Perry, chairman and chief executive officer, Republic Financial Services, Inc., Dallas, Texas.

Robert F. Erburu, president, the Times Mirror Co., Los Angeles, Calif.

Harold H. Short, chairman and chief executive officer, Flatiron Companies, Boulder, Colo.

above sea level, then it is not long before he has to hire lawyers and other experts to guide him through a maze of regulations he never heard of.

If you had your business career to live over, would you do anything differently?

I don't think so. Business success is a constant series of decisions, and you had better make most of them right. You have to treat every decision as important, because they don't come with labels on them saying, "this is a big one."

Are you saying: Don't shoot from the hip?

I think there is a concept that business people just make decisions snap, snap, snap. It isn't that way at all. As you go through life, you store up all of what you have learned before, and that is called judgment. If you have a good memory, your judgment gets very good, so a person with long experience and a good memory can make decisions very quickly. But if you are in a new area, or in an area where information is inaccurate, you slow down the decision-making process—sometimes to a snail's pace.

I think the most difficult part of decision-making is getting accurate information. An opinion is not very useful as a basis for decision-making.

People will come to me and say: "Here's a new perfume. How do you like it?" I answer: "Don't ask me. I'm not going to buy it. Go ask a thousand women whether they like it or not, and then tell me what they said."

Is there one business decision that stands out from all the others?

You're asking about the one where you draw in your breath and say, "boy, I made this one." It's not that way. I don't think the big decisions enter into the picture.

You have to have goals, a dream if you will, and a lot of little decisions lead you in that direction.

Our dream was to become nationwide, then worldwide, and to offer an entrepreneurial opportunity to average men and women.

But haven't you fulfilled this?

Oh, never. If you ever get to the point where your dream is fulfilled, you better get a new one, because if you don't, your life is just going to fall apart.

You keep expanding on that dream. As you progress, it changes. It becomes bigger. I can see many things we want, including an improved climate for the free enterprise system.

Is protecting this climate a goal you intend to stress as chairman of the National Chamber?

Yes. American business can grow and prosper only in a free enterprise environment. I think those business people who have the resources and capabilities should spend more time protecting that climate.

Some people think that when the business person talks about free enterprise, he is only speaking from self-interest. That is not true at all. You are going to have business regardless of the system. You've got business in Soviet Russia and in Red China. But you don't have freedom in those countries.

Personal freedom and free enterprise are like Siamese twins—you can't have one without the other. If you lose one, you're going to lose them both. □

To order reprints of this article, see page 12.



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"I think it has staggering potential," says Rep. Guy Vander Jagt (R.-Mich.) of the new television filming of the House of Representatives. "I don't think most people have thought of the impact this could have. The potential is awesome, with 180 cable stations operating in America."

A televised Congress could mean that:

- Some members may talk more often so their constituents will see them;
- Some may get more involved with issues because they know their constituents will be watching; and
- Arguments on issues may become more provincial, geared to the voters back home.

"We're sailing into an uncharted sea," says Rep. Vander Jagt. "Who knows what icebergs or paradise islands await?"



Nerve center for Capitol Hill television is a room in the basement, where technicians operate cameras in the House chamber by remote control. The director at the console selects the picture viewers see.

Satellite stations

At present, there are 3,997 cable television stations in the United States. Of these, 1,100 have earth satellite stations which would allow them to broadcast live the proceedings of the House of Representatives. But at the start of coverage in March, only about 200 stations, reaching three or four million subscribers, were carrying the entire daily coverage.

In addition, television news shows are expected to make extensive use of excerpts from each day's filming. Stations that do not hook up directly with the system in the Capitol may order tapes of the proceedings, which will cost about $100 for a 30-minute segment. These will not be available on a same-day basis because of limited facilities.

The televising of Congress has already brought about one change. Time-of-day notations are now given for all items in the *Congressional Record* so that readers can request video tapes of portions of each day's proceedings.

The groundwork for congressional television has been handled through the Speaker's Advisory Committee for Broadcasting, headed by Rep. Charles Rose (D.-N.C.).

"The committee has tried to keep the cost as low as possible," says Joan Teague, who works with the commit-

PHOTOS: MARY TUTHILL



Visitors to the House of Representatives now see six remote control television cameras panning from speaker to speaker. TV viewers will see a close-up of the representative who is actually speaking.

tee. "The cost of transmission is funded by the cable industry. So far, our major cost has been for equipment."

More than $1 million was spent on equipment and about $44,000 for consultants. Another $278,000 went to hire 12 additional members of the broadcast staff.

"Everything else was done by our own personnel," she says. "It's a bargain compared with the cost of publishing the *Congressional Record.*"

Pale blue shirts

There has been no attempt to turn Congress into a TV production. No advice has been given to representatives about how to dress and project on camera. But most members have had TV experience. On the first day of public coverage, many showed up in pale blue shirts, de rigueur for TV filming.

The filming is done by six cameras permanently mounted in the House and operated by remote control from a studio in the basement of the Capitol. The cameras are trained on the three speaking positions—the majority table, the minority table, and the Speaker's well.

Additional microphones have been installed in these areas to pick up the sound. And, at least temporarily, a crew member in the chamber is linked to the studio by telephone to be certain all speakers are properly identified.

The Cable Satellite Public Affairs Network is the nonprofit corporation that will distribute the service. A spokesman says that after the congressional proceedings have been on the air for a few months, C-SPAN may conduct a survey on how coverage is being received by the public.

Responses had already started coming in before the end of the first week of operation. Many were from schools and companies asking how they could tune in. And most comments were positive.

Boring shots

But a college communications class in Washington, D. C., that was assigned to watch the first day's effort was critical. Some students said the color was not consistent; others said the almost total use of tight shots of the person speaking was boring. All said they would not have watched if the coverage had not been an assignment.

However, no one expects that each day's proceedings will attract large audiences; people will watch when an issue interests them.

Many Congress-watchers expect a more immediate impact. A sharp decrease in snoozing, newspaper-scanning, stretching and yawning is likely, although the risk of being caught is small, because the cameras concentrate on tight shots of those speaking rather than on shots of the chamber itself.

Strict rules

Television could promote brighter, shorter speeches and better delivery. But it could also result in personal style and wit replacing substance. The issues might end up being distorted rather than clarified for the viewers.

To guard against political distortion, the advisory committee has strict operating rules. No technical employee may have any political affiliation. And no one is allowed to visit the control room unless accompanied by a committee member or employee.

"We don't want congressmen or lobbyists trying to exert any influence," says a spokesman.

The congressional cameras are not much use to those congressmen who represent their constituents through long hours of work on numerous committees and shun the limelight.

However, viewers who see how their tax dollars are being spent may keep a closer watch on government spending. There may be a connection between the recent television coverage of state legislatures and subsequent legislation which has turned state deficits into surpluses and, in some cases, tax relief.

Highlights tape

In the near future, C-SPAN probably will offer an edited one-hour tape based on the highlights of a day's or week's proceedings.

This is the type of coverage of the Canadian House of Commons that has been available for about a year and a half. A survey in late 1978 showed that a one-hour show of the preceding week's highlights presented on Saturday reached about 73,000 viewers. The number of viewers increased to 392,000 when the program was moved to Sunday.

Like many Americans, Canadians feared that the introduction of television might result in their elected representatives "playing to the folks back home." But so far, a spokesman for the Canadian Broadcasting System says, "that just hasn't happened."

Only time will tell what the American experience will be—or whether anyone out there is watching. □

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The Tax With a Funny Name



PHOTO: GEORGE TAMES

Any congressional action on a value-added tax will depend on Rep. Al Ullman (D.-Oregon), chairman of the House Ways and Means Committee (left), and Sen. Russell B. Long (D.-La.), chairman of the Senate Finance Committee.

IS THERE A VAT in your future? Maybe, although VAT, alias the value-added tax, probably won't make it through Congress for several years. However, influential tax experts are studying it.

By the mid-1980s, VAT, which has been widely used in Europe since 1970, could be a crucial part of a reshaped U. S. tax structure.

In essence, VAT is a tax added to goods as they are produced. Tax collectors like VAT because it is easily identified as a percentage of value added, the difference between the selling price and the cost of materials purchased. It is added at each stage of production and distribution.

George Stulberg, a certified public accountant and head of the tax division of the Fidelity Bank of Philadelphia, explains that VAT is another way to collect a retail sales tax.

"The concept can be demonstrated by a ten percent VAT on retail goods, say a man's suit. A ten percent VAT is first levied when wool is sold to a cloth manufacturer, again when the cloth is sold to a suit maker, again when the suit is sold to a retailer, and finally when sold to a consumer.

"Cumulative taxation is avoided by giving each seller a credit for taxes already paid on materials and services purchased.

"Instead of a $10 retail sales tax on a suit that sells for for $100, a VAT is collected in bits and pieces; for example $2.50 on the wool, $2.50 on the clothmaker—that's $5 less a $2.50 credit—another $2.50 on the suitmaker, and another $2.50 on the retailer for a total of $10."

A U. S. VAT, which some characterize as a national sales tax, would be the most fundamental change in tax laws since the 1930s when tax withholding from paychecks put personal income tax on a pay-as-you-go basis.

Congress's two leading tax experts, Sen. Russell B. Long (D.-La.), chairman of the Senate Finance Committee, and Rep. Al Ullman (D.-Oregon), chairman of the House Ways and Means Committee, see VAT as an alternative to steadily escalating social security taxes. The maximum payroll tax bite on employers and workers was $327 in 1970; this year, it was $1,403; and if no legislative changes are made, the maximum will more than double to $3,046 in 1987.

Aides to Sen. Long and Rep. Ullman say general hearings on VAT could be held as early as midsummer, and the Ways and Means staff is laying the groundwork for writing a VAT bill.

Other influential groups are giving VAT its closest look since 1972 when President Nixon proposed to use the proceeds of a national VAT to provide property tax relief for hard-pressed school districts.

Rep. Ullman thinks initiating a VAT could cut the social security rate to five percent rather than the steady increases to 7.15 percent in 1986 specified under current legislation.

Changes come slowly

Sen. Long, less of an incrementalist than the congressman, would like to eliminate the social security tax, cut corporate taxes, and drop the top rate for individual taxes from 70 percent to 33 percent.

Such an overhaul of the tax structure is years away. Major tax changes come slowly—Sen. Long has been talking about VAT off and on for eight years—and the political considerations are complex.

"Because of the size of the idea, because it is coming from Capitol Hill and not the administration, it will take a long time to bring VAT along," says a Ways and Means staffer.

"Don't expect big changes before the 1980 election."

And because it is unfamiliar to Americans, VAT is easily misunderstood. While VAT contributes 23.6 percent of France's tax take and smaller but substantial portions in Belgium, West Germany, Italy, the Netherlands, Sweden, and the United Kingdom, in the United States, only Michigan uses the VAT concept.

Greater return

Business has long appraised the value-added tax from the standpoint of whether it could be used to reduce the corporate income tax, now set at 46 percent.

Such a reduction, business points out, would offer investors greater return on their equity, spur business expansion, and create more jobs.

Since the Common Market is devoted to VAT, an American firm exporting to Europe must now pay a VAT on goods it sends in as well as the U. S. corporate income tax on returns from its export sales.

On the other hand, a European company exporting to this country gets a rebate on value-added taxes it pays.

One way to clarify the coming VAT debate is to tick off some benefits and drawbacks. On the plus side, Rep. Ullman says:

"The business community should support a value-added tax to correct our over-reliance on income and payroll taxes. Saving and investment would be enhanced by shifting more of the total tax burden to consumption."

He adds that a VAT would be a more stable revenue source than either income or payroll taxes.

John G. Sarpa, of the Chamber of Commerce of the United States, says VAT should be examined as a good opportunity for improving the international competitiveness of American goods.

"In terms of trade, we're not at square one, we're at minus three," Mr. Sarpa says.

Mr. Stulberg of the Fidelity Bank is the most emphatic supporter. "VAT is inevitable. I don't see anything else on the horizon," he says.

And Sen. Long notes that VAT is "the least painful way of collecting money" because it applies across the board and reaches consumers "somewhat like a hidden tax."

The fact that VAT would be submerged in retail prices angers Sen. William Proxmire (D.-Wis.), who also calls VAT regressive and inflationary.

"As a hidden tax it will be the first to be raised when government officials are pressed for funds, because raising taxes directly or cutting favorite programs will be unpopular," he says.

Certainly a VAT without offsetting tax cuts would be inflationary, at least in the short run. Consumers ultimately pay the VAT, so a 12 percent tax—a figure suggested by Sen. Long—could quickly increase retail prices by close to that same 12 percent.

VAT's biggest political problem is its regressiveness. It would fall most heavily on low-income taxpayers who spend more on consumer goods in relation to their total income than other economic groups. To blunt that criticism, some congressional staffers suggest exempting food, increasing the rate for luxuries, or providing refundable credit on income taxes.

Edward A. Sprague, director of tax policy at the Tax Foundation, an educational and research group, thinks VAT is still years from enactment.

"There wouldn't be much business support for replacing the social security tax with a VAT. It would be viewed as a questionable trade-off. It's hard to sell the business community unless VAT will replace a significant part of the personal and corporate tax."

Any firm answer about VAT's political future depends on what it would replace.

Says Sen. Long: "If we can repeal the social security tax and dramatically reduce the income tax, then I would favor a value-added tax to pick up revenue to cover the loss."

VAT isn't the sort of amendment that gets tacked onto a minor tariff bill. Years of controversy are ahead.

But as one tax expert puts it: "When Long and Ullman get together on a plan, you can't disregard it." □

Michigan Makes VAT Work

Although tax experts usually look to Europe when studying VAT systems, Michigan has had a VAT-type tax since 1975.

Called a single business tax, the Michigan VAT represents the first comprehensive effort by a state to tax all forms of business on a uniform basis. The VAT replaced the corporate income tax, franchise tax, personal property tax on inventories, business intangible tax, financial institutions tax, insurance company privilege fee, and savings and loan company privilege tax.

Robert J. Kleine, director of the Michigan office of revenue and tax analysis, says the tax was initially controversial but "the system is working well and revenues are coming in as we expected."

Mr. Kleine notes that:

- The VAT's 100 percent write-off of capital investment, "the ultimate in accelerated depreciation," has spurred business investment, particularly by the auto industry;
- Small business has been given a low-profit credit;
- Large companies such as Dow Chemical support the state's VAT; and
- The state now has the benefit of stable business tax revenues.

People Expect to Lose the Wage-Price Race

Expected Double-Digit Inflation

	Less Than 10%	More Than 10%
Dec. 1978	62%	28%
Mar. 1979	53%	37%

Expected Price Increases

	10% or More	15% or More
Gasoline	67%	40%
Home Heating Fuel	63%	33%
Electricity	54%	25%
Other Items	55%	19%

Expected Inflation Growth

	Aug. 1978	Dec. 1978	Mar. 1979
Higher Inflation	49%	42%	54%
Same	37%	42%	34%
Lower Inflation	6%	12%	6%
Don't Know	8%	4%	6%

Expected Changes in Consumer Incomes

	Aug. 1978	Dec. 1978	Mar. 1979
Income Will Rise:			
Less Than Prices	49%	52%	52%
Same as Prices	33%	33%	31%
More Than Prices	10%	10%	9%
Don't Know; Uncertain	8%	5%	8%

Expected Tax Burden

	Dec. 1978	Mar. 1979
Higher	52%	59%
Same	28%	27%
Lower	14%	6%
Don't Know	6%	8%

CONSUMERS take a glum view of the economy, expecting higher inflation, higher taxes, and increased energy prices.

This is the prevailing opinion among a majority of respondents to the quarterly consumer survey conducted for the Chamber of Commerce of the United States by the Gallup Organization.

At the same time, more than half of American consumers expect that their wages and salaries will not keep up with price increases, and consequently that their real purchasing power will decline.

The survey was conducted during March among a representative sample of the nation's consumers in all geographic areas. Of those responding, 37 percent expects double-digit inflation during the next 12 months, compared to 28 percent of those responding to a similar question in a survey conducted last December.

A majority of the consumers surveyed expects gasoline, home heating fuel, and electricity costs to go up by at least ten percent.

Consumers expect home heating fuel and gasoline prices to increase faster than other things they buy.

Higher inflation is expected by 54 percent of consumers surveyed, a sharp jump upwards from the 42 percent who expressed the same opinion to a similar question last December.

Three out of every five consumer respondents expect to pay more taxes in 1979 than in 1978.

This could be particularly burdensome to individuals, since federal personal income taxes for the average household increased by $350 during 1978 because of inflation alone.

Consumers continue to be pessimistic about the government's fight against inflation.

One third of those responding to the survey expects government to do only a poor job in this area, and one half expects a fair job.

Less optimism

The proportion of those surveyed who expect to be better off financially this year declined, too, from 47 percent to 39 percent, compared to the last quarterly survey.

In answer to other questions, one out of every four consumers responding recommends slowing growth of social security taxes by phasing out less important social security benefits.

Only seven percent favors increasing personal income taxes to replace part of the social security taxes, and only nine percent favors introducing a national sales tax, or value-added tax, to replace social security payroll taxes.

A majority of the respondents believes employment and output in this country will increase if U. S. exports continue to grow faster than imports. □

He's 18.

Does that make him a criminal?



Of course not. That's absurd.

And yet, many proponents of changing automobile insurance rating criteria would have you believe that the industry discriminates unfairly against young, unmarried males.

Believe us, we don't. We simply recognize that, as a group, they have more—and more costly—accidents than anyone else on wheels.

Obviously, somebody has to pay for all this. Under the present system, rating criteria are based on age, sex and marital status. But if we do away with those criteria, drivers 25 and over—the vast majority—will pay 18% more to enable those who are younger to pay 42% less. The under-25 drivers who are female will pay 29% more to enable their male counterparts to pay 8% less. And married males under 25 will pay 68% more to enable their unmarried friends to pay 9% less.*

The bottom line is simply this: the better drivers will pay **more** so that the worst drivers can pay **less.**

Now, who's being absurd?

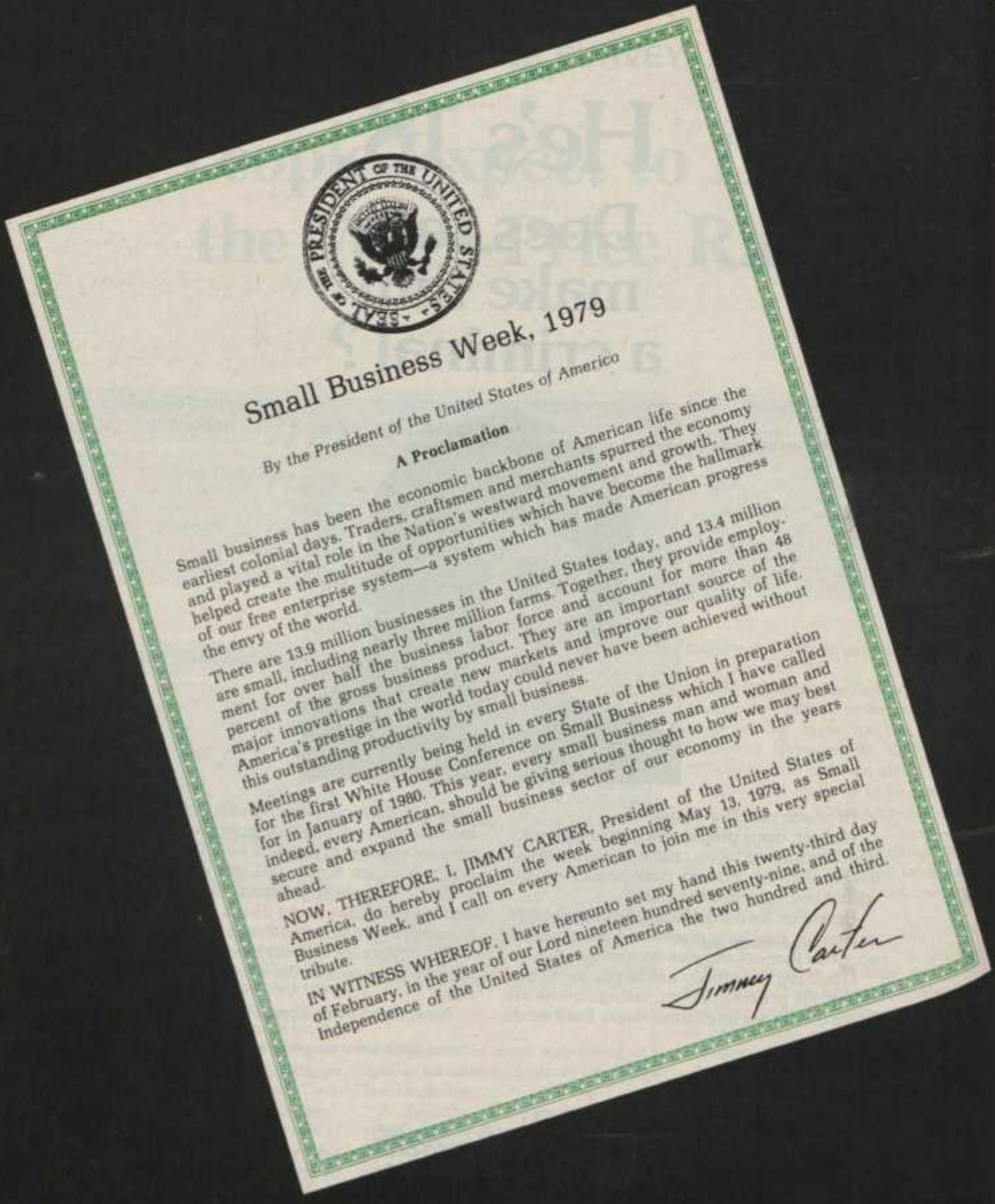
*Source: National Association of Independent Insurers

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Protecting What's Right with America

Harleysville Insurance Companies are full-line insurers specializing in business, personal and life insurance coverages tailored to your specific needs.

For more details, contact your independent Harleysville agent. You'll find him in the Yellow Pages.



Small Business Week, 1979

By the President of the United States of America

A Proclamation

Small business has been the economic backbone of American life since the earliest colonial days. Traders, craftsmen and merchants spurred the economy and played a vital role in the Nation's westward movement and growth. They helped create the multitude of opportunities which have become the hallmark of our free enterprise system—a system which has made American progress the envy of the world.

There are 13.9 million businesses in the United States today, and 13.4 million are small, including nearly three million farms. Together, they provide employment for over half the business labor force and account for more than 48 percent of the gross business product. They are an important source of the major innovations that create new markets and improve our quality of life. America's prestige in the world today could never have been achieved without this outstanding productivity by small business.

Meetings are currently being held in every State of the Union in preparation for the first White House Conference on Small Business which I have called for in January of 1980. This year, every small business man and woman and indeed, every American, should be giving serious thought to how we may best secure and expand the small business sector of our economy in the years ahead.

NOW, THEREFORE, I, JIMMY CARTER, President of the United States of America, do hereby proclaim the week beginning May 13, 1979, as Small Business Week, and I call on every American to join me in this very special tribute.

IN WITNESS WHEREOF, I have hereunto set my hand this twenty-third day of February, in the year of our Lord nineteen hundred seventy-nine, and of the Independence of the United States of America the two hundred and third.

Jimmy Carter

The Chamber of Commerce
of the United States
joins the President of the United States
in this tribute to Small Business


soft-spoken textures . . .
Elegance is soft and easy in Britches Spring Collection of natural linens and cottons. In textures and designs woven exclusively for Britches.
Clothing to live in.
Clothing for life.
Linen Jacket $165, Cotton Shirt $22.50, Jute Sweater $27.50, Linen Slacks $80, Baume & Mercier Watch $440, Poplin Jacket $55, Warthog Shirt $19, White Poplin Slacks $60.
BRITCHES of GEORGETOWNE
Fine Clothiers Since 1967
Georgetowne, Connecticut Av. ... Montgomery Mall, Tysons Corner Center, Springfield Mall, In Atlanta: Lenox Square & Peachtree Center
We welcome the American Express Card

THE EDUCATED TOSTADA.



Her beauty's more than just a shell. Fried crispy and golden brown right here in our Casa Maria kitchens.

Refried beans that are refried. It takes twice as much time to fry beans and then refry them. But who ever heard of refried beans fried only once. Not here.

One kind of cheese isn't good enough. Real Cheddar and Monterey Jack Cheese, freshly grated.

Beef & Pork you can sink your teeth into. Most of the meat in most other Tostadas (and everything else Mexican) is ground. Not ours. It's choice.

Casa Maria A Mexican Standout.

On the Waterfront. 7th & Maine. Validated parking. Lunch, Dinner. American Express, Visa, Master Charge. 554-5302

Lancia Coupe

DRIVING REDEFINED.

The new Lancia Coupe is a personal performance car that redefines driving with an extraordinary blending of Italian elegance and sports car handling.

Once you've driven the Lancia Coupe, every stretch of roadway becomes an irresistible challenge. The Lancia difference begins with a new 2 litre double overhead cam engine working harmoniously with a 5 speed manual transmission that lets you cruise in fuel-saving overdrive.

Lancia began using front wheel drive exclusively in 1961 to deliver better control and roadholding. If you've ever felt your stomach muscles tighten as you take a curve too fast, you'll appreciate the way the Coupe redefines roadability. You can move out of a straight stretch, lean into a curve and feel your car hold flat and sure.

The integrity of variable assist power rack and pinion steering gives you maneuvering power when you need it, then decreases the assist at higher speeds.

The competition style suspension incorporates MacPherson struts with shock absorbers, coil springs, and anti-sway bars front and rear to minimize car lean.

At crisis moments when braking is the most vital function of your car, Lancia Coupe's Superduplex 4-wheel



discs are designed to stop you straight and sure. If failure occurs in the primary hydraulic system, the emergency braking is applied to the front wheels for best efficiency.

The driving environment in the Lancia Coupe provides sensuous satisfaction. Here comfort and luxury are redefined, with the smell and feel of soft leather or the fine texture of superb woolen upholstery. The anatomically designed reclining bucket seats support back and thighs comfortably.

You have a clear view of all instruments including speedometer, tachometer, trip odometer and electronic quartz digital clock. Integral warning lights on all gauges keep you alert to your car's vital signs.

A unique sun roof and 3 speed automatic transmission are exciting options.

With all its competition style engineering the Coupe possesses the style, grace and unmistakable touches of handcrafting that mark the finest European luxury automobiles. Test drive the Lancia Coupe to experience driving redefined.

For the name of the dealer nearest you, call these numbers toll-free: (800) 447-4700, or, in Illinois, (800) 322-4400.

LANCIA
Driving redefined.



*Lancia, Division of Fiat Motors of North America, Inc. 1979.

AND YET, AFFORDABLE



The striking series of
ULTRA-THIN CROWNLESS QUARTZ,
from the stunning collection of
Micromа-Swiss timepieces.

Elegant, unique technical achievements.
Priceless.
And yet affordable.
Affordable.
This is the Micromа difference.

MICROMA®
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Available at **LORD & TAYLOR'S**
and other stores where fine jewelry is sold.

PEOPLE IN BUSINESS

By PRISCILLA SCHWAB



Harold Levine recently helped to promote New York City with the N. Y. Yankees and Lew Rudin, president of the Association for a Better New York.

The Madison Avenue Maverick

Harold R. Levine is largely responsible for purple shorts, dollar cars, and dolls that burp. Not that he makes these products. Rather, his company produces the advertising that sells them in a way that amuses.

As chairman of Levine, Huntley (yes, Chet Huntley), Schmidt, Plapler & Beaver (no, not that Beaver), Inc., Mr. Levine is the unabashed maverick of Madison Avenue.

"Too much advertising today is preachy. Or it's a big bore. Or it's phony, a studio situation that doesn't relate to real life. Like mopping the kitchen floor in obviously good clothes.

"We add a little bit of humor to our advertising," he says. "We try to talk to people, not down to them.

"I simply do not believe that advertising can get you to buy anything, do anything, or think anything. I just don't believe it."

Mr. Levine's approach to advertising was refined in academia—he taught at Long Island University in New York City for ten years before returning to advertising as president of a small firm there.

He started his own firm seven years ago with the idea of transforming company advertising into business communication. The late Chet Huntley was intrigued with Mr. Levine's ideas on how a company should "speak with one voice" in advertising its products. They met through Mr. Levine's lawyer who was looking for another couple for bridge one evening.

"Chet Huntley told me: 'I don't know if I can do anything for you, but David and I have watched thousands of terrible commercials.' He had put his finger on it. He understood the viewer on the other side," says Mr. Levine. "I asked him to join the agency and be our critic."

The first account the new agency inherited from his old firm—Jockey underwear. "We changed the company's attitude," says Mr. Levine, "and moved them from the traditional white shorts and shirts to underwear in living color. It was a fun ad campaign."

It was also a winner, the first of many produced by Mr. Levine and cohorts. Within the past three years, the firm has won more awards than any other U. S. agency, regardless of size.

Some of them were bestowed for the Matchbox toy cars series of television commercials. The first had Uncle Sam declaring that what Amrica needs is a good car that sells for a dollar. The next boasted that Matchbox sells more cars than Ford, Chrysler, Buick, and Chevrolet combined. And another asked: "Which will last longer—your $5,000 car or our car, which sells for a buck?"

Mr. Levine sells big cars, too. "We took three top executives of Subaru and used them as rubber cones in a driving test," he says. "The message was that Subaru executives stand in front of their cars, not behind them.

"When we took on that account, Subaru was thirteenth in imported car sales. Today the company is fifth."

The doll that burps commercial had social undertones. "We used a little girl with her daddy," says Mr. Levine. "We threw out the stereotype that if it's a girl's toy, she is with mommy, and if a boy's toy, he is with daddy. The little girl asks her daddy to help burp her baby, and he says he has never done it, and she says: 'I will show you how.' Subtle, but effective. This is the way kids' commercials should be. Human."

Mr. Levine, presently chairman of the New York council of the American Association of Advertising Agencies, defends the advertising profession while admitting its faults.

"Children's advertising is taking a real beating, some of which is richly deserved," he says. "But the best way for disapproving parents and critics to get the message across is to turn off the set. Declining ratings and falling sales will make the advertisers improve their commercials. I don't think the U. S. government should be a federal nanny." •

Insurance That Will Help Pay for Cancer

John B. Amos sells cancer insurance—$4.80 a month for a family policy through payroll deduction.

The subject may seem a little morbid, but cancer is so common these days that talking about it is no longer taboo and insuring against its heavy expenses is as natural as saving money.

Mr. Amos, who is chairman of the board and chief executive officer of the American Family Corp. in Columbus, Ga., pioneered cancer insurance in 1957. Today, there are about 3.5 million policies in force covering more than 12 million people.

"The policy supplements health insurance," says Mr. Amos. "It is designed to pick up where the health benefits run out. One out of every four people will develop cancer of some sort."

Mr. Amos, whose father bought the

company's first cancer policy, started in the insurance business when he was nine years old. "I insured all the boys in the neighborhood against cutting their fingers," he says. "I promptly went broke. It's just amazing what boys will do for a nickel."

His next venture into insurance didn't fare much better. Mr. Amos chose Columbus as a base because it was the largest town in the country that didn't have a home office of a life insurance company.

"I started up as a weekly premium company, just as Metropolitan Life did," says Mr. Amos. "I incorporated in October of 1955, got licensed in April of 1956, and was broke in December."

It never occurred to Mr. Amos that maybe insurance wasn't the business for him. He had a law degree and persistence, and he built up enough capital to start again, this time with cancer insurance. "I got into hospitalization insurance, and the cancer policy was just one straw in a bundle," Mr. Amos explains. "But it caught fire. In 1958, we sold 5,800 policies. Today we sell that many in a morning."

What if the long-sought cure for cancer actually is discovered? "I would thank God," says Mr. Amos. But it might mean the end of American Family Life.

"I would much rather be put out of the insurance business than out of the living business. My daddy died of cancer. And I am a chain smoker and can't quit. But chances of curing cancer are just about the same as curing death." •



John Amos considers an annual growth rate of up to 20 percent about normal.



Catherine Moss helps corporate wives discover Kaiser Aluminum's business.

IRIS Makes the Kaiser Wife a Better Partner

Catherine Moss talks softly and carries a lot of clout. Not that she is running the Kaiser Aluminum & Chemical Corp. She is only a public relations representative at company headquarters in Oakland, Calif.

Her clout comes from a program called IRIS, which has nothing to do with garden clubs. Instead, it involves corporate wives in the company's business.

The daily scenario is familiar to a lot of wives whose career is home-making. The husband comes through the door, shucks coat and tie, and collapses into an armchair with or without the newspaper and a drink, having spent the past eight or ten hours making decisions, dictating letters, and generally getting things done.

This corporate husband rarely if ever tells his wife about the company's goals, problems, products, successes, discoveries, changes, or failures. And the wife rarely has the background to ask.

That's where IRIS begins. Since 1977, the program has blossomed into a multifaceted enterprise that explains the workings of Kaiser Aluminum from factory floor to the boardroom, offers courses in public speaking and workshops on aluminum recycling, sponsors a neighborhood crime prevention operation, and helps newly transferred families settle into their new communities.

"This is not just a public relations program," says Ms. Moss, a former newspaper reporter who now directs IRIS. "We aim at involving women in their husbands' business in a meaningful way. We certainly do not hold tea parties."

Far from it. The wife who wants to get involved will soon find herself talking confidently about business to community groups, commenting intelligently on critical issues such as the energy crunch and the environmental enigma, showing newcomers to the area the difference between Oakland and San Francisco, and conversing informatively with her husband about his day at the office.

IRIS takes its name from the Greek goddess of the rainbow, whose legend is associated with good deeds. It has the personal sanction of Cornell C. Maier, Kaiser's president and chief executive officer, whom Ms. Moss praises as being dedicated to making business more visible and socially responsive.

"He is convinced that in the past, business well earned its poor image because it never spoke up, it never seemed to care about what was going on in the world, it never explained anything," says Ms. Moss. "Now, of course, all that is changing, and IRIS is part of the effort. My charter was to find a way to involve women who want to be involved."

And lest that sound too paternalistic, Ms. Moss is quick to assert that not every woman wants to carry a briefcase or be president of the local parents-teachers association. "For a good many women, being a partner with her husband in running the home is goal enough," says Ms. Moss.

"Most wives are very interested in what their husbands do. But the plain truth is that the husband generally doesn't think his wife cares about the details. IRIS can help the wife to be a better informed partner."

How does IRIS handle criticism? "Very frankly," says Ms. Moss.

"Kaiser is a really good company, but like all companies, it has its problems, and it makes mistakes. We put people in touch with the person in the company who can answer or explain. Sometimes, there is no real answer to specific criticism, but there is always an explanation."

Through IRIS, Ms. Moss makes sure that those explanations get made. •

PASSENGER TRANSPORTATION:
People in Perpetual Motion

Nation's Business
INDUSTRY SPECIAL REPORT

By John H. Jennrich

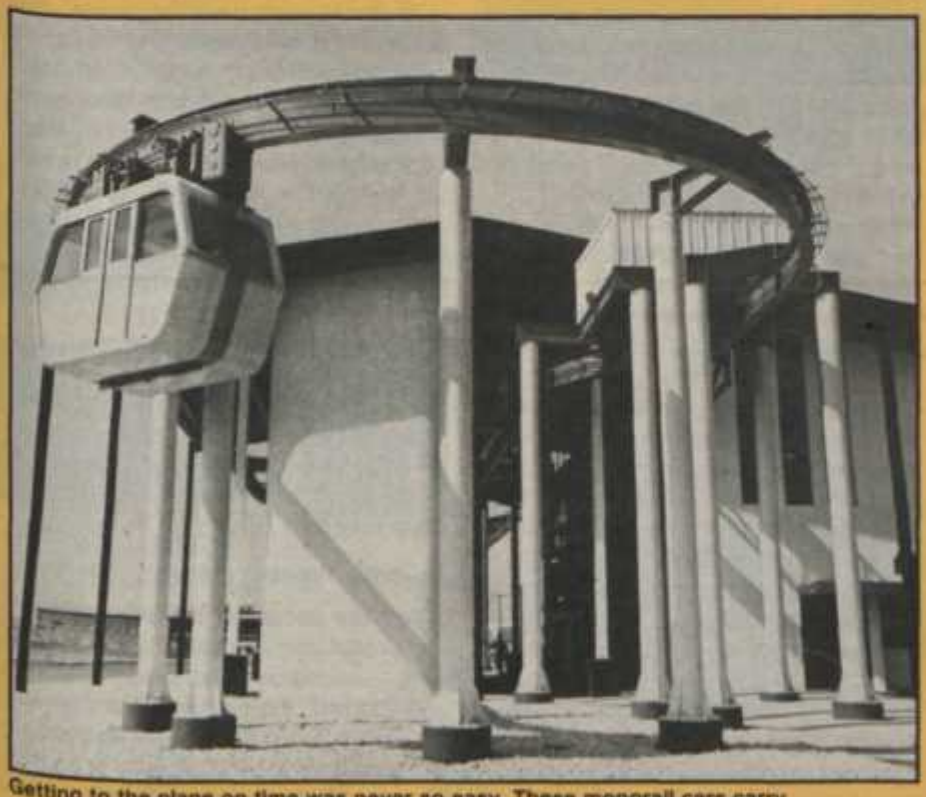
IF AMERICA could have only one symbol, it would be the wheel.

That would symbolize transportation, the lifeblood of a nation that moved its people from a toehold in Virginia to fill up a country that covers more than 3.5 million square miles.

Americans like to move. They move for business, for pleasure, and sometimes just because they're restless. The average American today makes the equivalent of three transcontinental trips every year. Most of those trips are in motor vehicles, but America's wheel symbol shows signs of sprouting wings, too, as deregulated commercial aviation expands.

Passenger transportation, American-style, has been praised and damned. It allows us to live where we are comfortable, work where we are productive, and play where it suits us. It promotes economic development and ties the nation together, both commercially and socially. On the other hand, it clogs courts and jams hospitals, pollutes air and water, disturbs tranquillity, razes neighborhoods, and has made us overly dependent on foreign oil.

But America wouldn't be America without mobility. Even with telephones, computers, and other electronic communication, people still need to move from one place to another, whether across town or around the world.



Getting to the plane on time was never so easy. These monorail cars carry passengers from parking lots to the main terminal at Dallas-Fort Worth Airport.

Passenger transportation accounts for 12.5 percent of America's gross national product. One fifth of the labor force—more than 14 million workers—is involved in motor vehicle transportation alone.

Rep. Bud Shuster (R.-Pa.), chairman of the National Transportation Policy Study Commission, says transportation's capital needs between now and 2000 will exceed $4 trillion, with $1 trillion to come from public funds.

Because passenger transportation is so big and so public, there is little about it that isn't funded and usually regulated by some government agency.

Mouths of rivers

Actually, government involvement wasn't always bad. The government took over the private postal service and moved it from horseback to stagecoach to railroad to airplanes.

In the earliest days, boats were vital. Cities developed first at the mouths of major rivers, then upriver. Fulton's steamboat in 1807 and canal barges in the mid-1820s extended waterborne traffic into the interior.

Roads followed—first corduroy, with logs across the road, then plank roads, only slightly better. Then came the English macadam method using crushed stone; the National Road from Cumberland, Md., to Wheeling, W. Va., was built this way in 1815-1818.

In the 1830s, the steam railroad, with all its infant problems of derailments and varying track gauges, created a mobility explosion. The first rail line of any appreciable distance was built in 1834 from Charleston, S. C., to the Savannah River 165 miles away. Soon, it carried 600 passengers a week on the same route previously served by only three stagecoaches a week.

Outer space

But the biggest boom of all came at the turn of the century with automobiles, quickly followed by buses. Between them, they increased domestic mobility at an unprecedented rate.

Commercial air travel came of age in the early 1930s, but it wasn't until the first scheduled commercial jet service in 1958 that aviation really began to move multitudes of people.

Next is outer space, with air shuttles and satellite communities. As an ordinary commercial venture, space travel won't occur until the 21st century—but that's only 21 years away. There are people alive today who remember the invention of the automobile, and they overlap the lives of people who witnessed the first steamboats, barges, and railroads. Someone born this month will no doubt travel in space some day with as much unconcern as we have in hopping on a local bus.

Projected growth

Despite the energy problems, most observers see Americans traveling more, not less. Fuel shortages won't reduce travel but will change the vehicle. There will be more fly-drive trips as people go long distance the quickest way, then move around locally in the vehicle that gives them the most freedom.

Air travel, the largest commercial passenger carrier, has the greatest projected growth.

The policy study commission will issue its report next month. Rep. Shuster's figures show that a moderate growth of air travel, including general aviation, between 1975 and 2000 will more than triple intercity passenger miles. Aviation's share of total intercity passenger miles—including air, rail, bus, and private auto—will rise from 11.2 percent to 20.2 percent. And that's without considering the effects of deregulation.

But growth won't come without problems. Dr. George W. James, senior vice president for economics and finance for the Air Transport Association of America, sees a need for airline capital investment of $60 billion during the 1980s alone, compared to $10 billion in the 1960s and $15 billion in the 1970s. The reason is the large number of jet aircraft delivered during the 1960s. By the 1980s, most of these will have to be replaced. The total fleet is now about 2,260 aircraft.

Dr. James says airlines are moving to larger planes with more efficient designs, including redesigned engines that will reduce fuel use. The Boeing 747 jumbo jets, which can now carry as many as 500 passengers, may be stretched to carry even more. One Boeing design calls for adding 25 feet to the fuselage, which would accommodate another 120 passengers.

Fuel economy is vital for the new generation of jets to offset rising prices. In 1973, jet fuel cost 12 cents a gallon and amounted to 12 percent of operating costs; by 1978, the cost had risen to 40 cents a gallon, accounting for 20 percent of operating costs. Each penny per gallon raises costs $100 million.

Labor also costs more. Average salaries are now up to $26,000, with top pilots getting as much as $100,000 a year. The total labor force is slightly more than 308,000, a fairly constant figure in the past decade.

Labor and fuel equal two thirds of operating costs, says Dr. James, and with both rising at more than ten percent a year, "you have a devil of a time getting your costs down." While new aircraft designs will help, he says, increased productivity will have to come in other areas such as ticketing, computer systems, and maintenance.

Fuller loads

Airlines obviously have to increase their income but cannot count on raising fares to pay the bills because deregulation will increase the pressure to compete with low fares. Although fares will rise, the key is to increase the year-round load factor, which the airlines are already doing. In the early 1970s, planes averaged slightly more than 50 percent of capacity. By 1978, that figure had risen to 62 percent.

To the layman, says Dr. James, that seems like a lot of capacity to fill. But it's not. Many planes are flying full, especially during peak hours. On the other hand, quite a few planes must fly lightly loaded. Example: New York to Miami in winter is full; the return trip flies light. Another example: A plane flying several legs may not fill up until the final leg, but it has to fly light at first to reach the final, full-up leg.

One result of this airline strategy, says Dr. James, is that passengers must make reservations far in advance, especially if they want to fly a popular route or at peak time. Last-minute changes in flights won't be possible, he says, and there may be a penalty for canceling.

No-frills fares

Another possibility for increasing airline productivity is higher density seating configurations such as nine abreast in wide-bodied, three-engine jets and ten abreast in 747s. Airlines are also reducing service along with fares; the no-frills fares and other low-price tickets are inducing more people to fly.

The push toward greater productivity and mass transit is changing the way airlines operate. Dan A. Colussy, president and chief operating officer of Pan American World Airways, Inc., sees no breakthroughs in aircraft technology in the foreseeable future. New aircraft—such as the Boeing 757 and 767—will replace the old 707s designed for cheap fuel, "but they do not justify the replacement of more recent fleets." Supersonic planes or the use of hydrogen fuel "will

The "Americar" Way

A study by Congress's Office of Technology Assessment in Washington, D. C., finds that:

1. Americans have built a way of life based on mobility—provided mainly by private automobiles—and will give it up only as a last resort.

2. No other transportation is likely to satisfy this need to any significant extent over the foreseeable future.

3. The prospect of inadequate fuel supplies is the prime threat to the American way of life. All other problems are a distant second when compared to autos without gas.

4. Getting 27.5 miles per gallon may not reduce total fuel consumption because the number of miles will increase—more drivers, more automobiles, and more miles driven per car.

5. Even without man-made fuel crises, Mother Nature will cut production of oil, most likely in the 1990s.

6. Large increases in fuel prices might reduce auto use. But in Western Europe and Japan, auto usage is still increasing, even at prices much higher than current U. S. prices.

7. Revolutionary changes in technology are long in coming. The steam engine, the diesel, and the jet engine required 20 to 50 years to progress from conception to commercial use.

OTA director Russell W. Peterson says: "The automobile industry has demonstrated that you do not need a 5,000-pound vehicle with a 300-horsepower engine and 40 gallons of gas to move a 200-pound person 400 miles.

"The industry has shown that the job can be done with a 2,000-pound vehicle, a 50-horsepower engine, and ten gallons of fuel. This is a phenomenal change.

"If everyone bought such a light vehicle, we could raise the fleet average to at least 40 mpg. The challenge is to get people out of heavy cars and into light ones."

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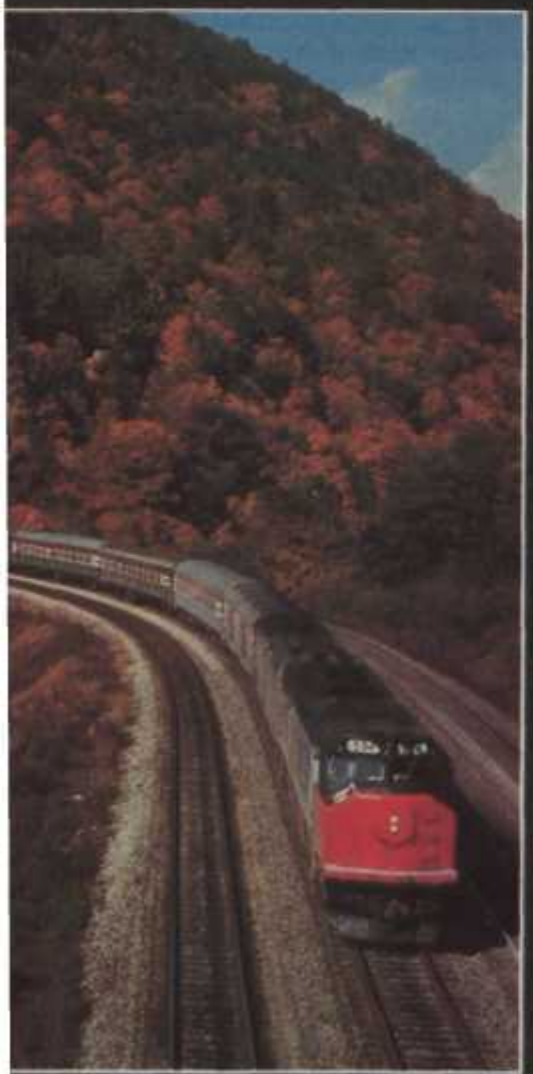
Shipowners scramble to increase capacity while cruises boom as glamorous vacations. With new ships costing a fortune, one line cuts its ships in two and adds a middle section to accommodate more people. This Cunard liner is in St. Thomas.

PHOTO: UNITED AIR LINES



By 2000, the airplane's share of intercity passenger miles will double, rising to one fifth of the total.

PHOTO: J. R. EYERMAN—UNIPHOTO

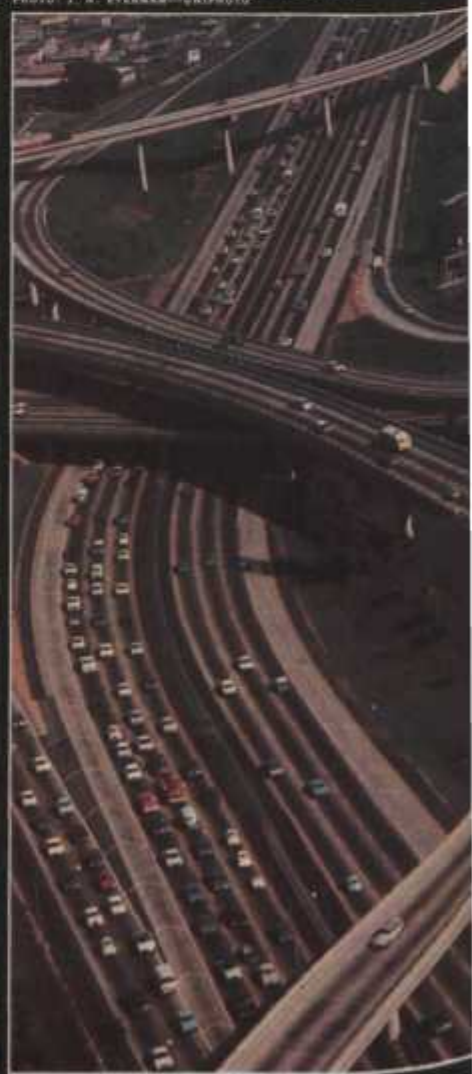


Amtrak's Broadway Ltd. rounds Horseshoe Curve in Pennsylvania. Despite promotion, trains are losing their share of traffic.

PHOTO: GARY CHALLE—BLACK STAR



Intercity buses serve 15,000 towns in the U. S. Bus companies are struggling to upgrade image and cut government regulation.



Motor vehicles permeate passenger transportation, a fact of life that will continue well into the 21st century.

not have a major impact on commercial aviation until the 1990s," he says.

The big shift will be in airline management, no longer shackled by government regulation. The next decade, says Mr. Colussy, "should bring to the fore professional business managers with training and experience in business administration, marketing, economics, and engineering."

He suggests that the "myth of the uniqueness of the airline business" will disappear. Also, the impact on prices will be great: "Fare structures will have all the simplicity and tranquillity of an oriental bazaar," he adds.

Trains are moving away

Back on the ground, one of America's oldest forms of transportation—the train—is moving away from the masses and, critics say, away from service, too.

Trains, according to Rep. Shuster, had a 0.41 percent share of intercity noncommuter traffic in 1975 with 5.4 billion passenger miles. By 2000, he says, rail travel will increase by only 14 percent—the smallest gain of all transport—to 6.2 billion passenger miles, a 0.26 percent share.

The overwhelming presence in the passenger train industry is Amtrak, more formally known as the National Railroad Passenger Corp. Amtrak trains cover nearly 100 percent of the noncommuter rail passenger miles in the United States.

Amtrak is marketing its services aggressively, but a recent report by the Interstate Commerce Commission shows that in fiscal 1978 Amtrak fell below 1977 performance—revenue was down 0.4 percent, number of passengers, down 1.5 percent, and passenger miles, down 6.9 percent.

"The slight downturn in Amtrak ridership," says the ICC, "may be attributed in part to traveler uncertainty about schedules and services, since funding problems led to disruption of schedules and changes in route frequencies and service availability early in the year."

Fiscal conservatism

To help cut costs, Transportation Secretary Brock Adams has proposed to cut Amtrak's rail system by 43 percent, trackage that Mr. Adams says carries only nine percent of Amtrak's riders.

"It pains me to say that I support Secretary Adams," says Rep. Shuster, who stands to lose a rail line through his district.

"I'd love to say that Amtrak is successful; I can't in good conscience say it's anything but a disaster." The line through Altoona, Pa., in his district was found to carry only 28 riders a day. While those 28 riders are potential votes, Rep. Shuster's fiscal conservatism won out.

"If you want to get somewhere fast," he says, "take the airplane."

Amtrak, of course, doesn't agree. President Alan S. Boyd predicts improvements in 1979, including gains of 5.6 percent in ridership and 13.5 percent in revenues. While he does not anticipate that Amtrak will turn a profit anytime soon, he points out that Amtrak receives a relatively minor amount of federal money compared with highways, aviation, and urban mass transit.

Other entrepreneurs are trying to capitalize on the efficiency of rail travel and America's attachment to the family car. The Autotrain of the East runs from Virginia to Florida. In Texas, a new outfit called the American Intermodal Transportation Corp. proposes to start a short-haul autotrain service in the Dallas-Houston corridor.

A direct competitor to the train is the intercity bus, which now serves about 15,000 communities. According to the American Bus Association, there are 46 Class I carriers, out of a total 1,050 carriers, that travel just under two thirds of the 25.7 billion bus passenger miles in 1977. The major carriers employ about 30,000 people.

Cheaper air fares affect the bus, too, especially the Class I carriers that emphasize scheduled, rather than chartered, trips. An ABA spokesman says there were 15.95 billion Class I passenger miles in 1978, down from 16.4 billion in 1977.

Rep. Shuster's projection for intercity passenger miles by bus is a 23 percent increase from 25.4 billion in 1975 to 31.2 billion in 2000. That's a drop in the transportation share of passenger miles from 1.9 to 1.3 percent.

Leading the list

Buses are fuel efficient, both within and between cities. The Motor Vehicle Manufacturers Association compared auto, air, bus, and rail travel on the basis of energy consumed—measured in British Thermal Units—per intercity passenger mile.

The bus led the list with the lowest number of BTUs consumed, 1,070; followed by trains, 2,730; automobiles, 3,250; and airplanes, 9,300.

A major change in bus operations is likely if the federal government decides to deregulate the industry as it has airlines. Trailways, Inc., was the first bus company to call for such deregulation. J. Kevin Murphy, Trailways president, says deregulation would result in lower fares, better equipment, and more frequent service.

"If one bus company drops service,"



Rental cars will play an even greater role in passenger transportation by 2000. Fly-drive trips for business and pleasure will be popular.

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he says, "a competitor will jump right in. Maybe it will be a small firm. Maybe it will be us."

The greatest influence in transportation by far is the ubiquitous automobile. It accounts for 85 percent of intercity passenger miles. With projected growth of 63 percent between now and 2000, the auto's share of the market will drop to 78 percent, still four times larger than the next category, aviation.

Greatest by far

Autos rack up more than 90 percent of domestic passenger miles, or nearly 2.4 trillion miles out of a total of 2.6 trillion. By comparison, intercity and local transit buses have 2.7 percent; intercity and commuter rail have 0.4 percent; and commercial air carriers, 5.8 percent.

Autos alone—their purchase, maintenance, fees, use, and repairs—account for ten percent of America's gross national product. All other passenger transportation adds only two percentage points to the GNP.

Despite, or because of, its popularity, the automobile has come in for a great deal of criticism. It uses too much energy, pollutes the air, kills people, and clogs city and suburban streets.

The auto, which averaged 14 miles per gallon in 1974, is now required by law to average nearly twice that by 1985. And that may double by 2000.

Peter G. Koltnow, chairman of the executive committee of the Transportation Research Board, an arm of the National Academy of Science, and president of the Highway Users Federation, thinks the auto of 2000 will be like today's.

"It will be a box on four wheels with an internal combustion engine," he says.

Engineers at the American Automobile Association see the future car in finer detail. D. James McDowell and John Fobian predict an average 2,500-pound car, slightly lighter than the present Ford Fairmount, "that can hold four comfortably, five squashed."

Spare tires

They see more use of plastics and exotic materials such as graphite to reduce weight and more front-wheel drive. Spare tires and traditional tune-ups will be obsolete.

One thing is certain about the car of the future; the price is going up.

"Those people without two cars now will have a difficult time owning two of them in the future," says V. J. Adduci, president of the Motor Vehicle Manufacturers Association.

Rising costs will affect use as well as ownership, but Mr. Adduci isn't sure how much. "Will more expensive gas cause Americans to drive less or will they give up fancy food and drive just as much?"

The president of AAA, J. B. Creal, sees nothing in the next few decades to replace liquid fuels for cars.

Mr. Creal favors a more positive, supply-and-demand, nonregulated approach by the federal government. "The government should make it clear," he says, "that we don't intend to back out of the world as an industrial power or lower our high standard of living."

Fuel is the key element in passenger transportation for the next generation. Fuel's scarcity and cost will affect how every American travels. Costly fuel may put more commuters on buses and trains and more vacationers in planes and rental cars, but lack of fuel could stop America in its tracks.

Failure to solve fuel supply problems, concludes Secretary Adams, will result in transportation system breakdowns "overwhelming us by the mid-1980s." □

To order reprints of this article, see page 12.



Airline ticket counters will get busier as America approaches the 21st century, and aviation doubles its share of intercity passenger miles in only 25 years.

On the Roads

America has 3.84 million miles of roads; 16.7 percent are urban, and 81 percent are surfaced.

The best-known highway is the interstate system; it includes one percent of America's roadways yet carries 20 percent of the traffic. The system is 91 percent complete. If finished, it will amount to 42,500 miles.

There are more than 563,000 bridges, 75 percent of which are more than 45 years old. More than 100,000 are structurally deficient or obsolete. According to Peter G. Koltnow, president of the Highway Users Federation, bridges fail on the average of one every other day.

A major source of funding for roads, at both federal and state levels, is the motor fuel tax. But as cars become more fuel efficient, less money goes into highway coffers.

About 3.5 percent of the federal budget is devoted to transportation, but the highway share of that has dropped from about two thirds to one half. Likewise, the highway portion of state and local budgets has dropped from 12 to six percent. The federal highway trust fund has a surplus of more than $10 billion, says Mr. Koltnow, who advocates spending that money soon.

"We need to improve our deteriorating roads or soon we'll be riding on another Penn Central Railroad."

Inflation Abroad Is a Worry, Too

BUSINESS PEOPLE overseas are worried about increasing inflation in the countries in which they are working, but they are not as concerned about a recession abroad as U. S. executives are about a recession in the United States," according to Dr. Jack Carlson, chief economist of the Chamber of Commerce of the United States.

These attitudes are expressed in the new International Business Attitude Survey conducted by the National Chamber among 1,500 U. S. executives in 90 countries.

The survey shows that of those executives responding twice as many expect higher rather than lower inflation this year in their host countries, compared to 1978.

This expectation coincides with the National Chamber's latest world forecast that consumer price inflation will accelerate by one point—to 13 percent—during 1979.

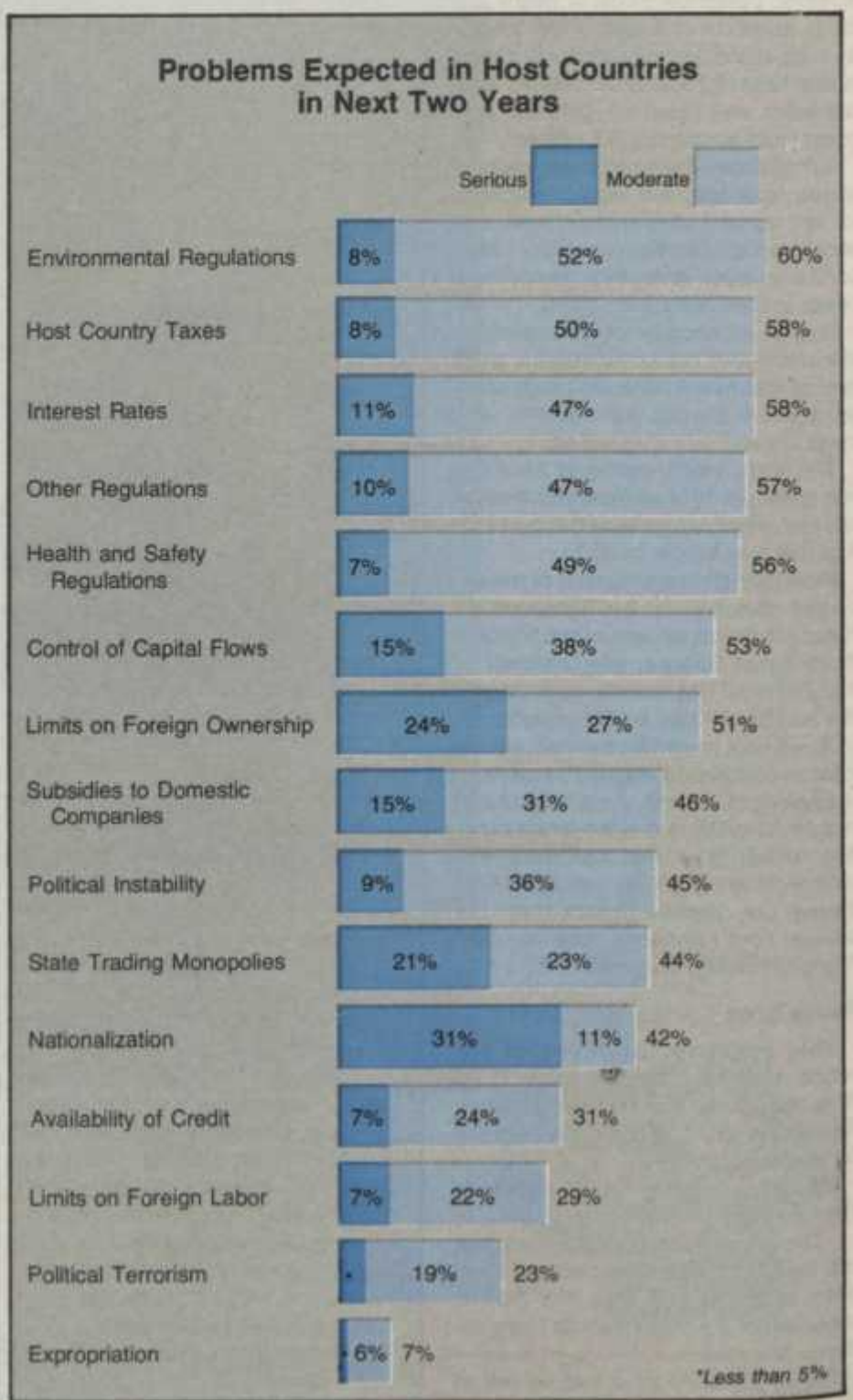
Increased inflation is expected particularly in Africa, the Middle East, and Asia.

Fifty-two percent of the survey respondents expect their host foreign governments to do only a fair job in fighting inflation. About a third expects a good job.

The executives surveyed estimate there is only a 33 percent chance of a worldwide recession during 1979 and a 34 percent chance in 1980. This compares to a more than 50 percent chance of a recession before the end of 1980 that was predicted by business people in a separate survey within the United States by the National Chamber and the Gallup Organization.

While business leaders do not see a high risk of recession in their host countries, they worry about increasing unemployment and expect foreign governments to do only a fair job of preventing it.

The most serious problems of Americans doing business abroad are the threat of nationalization and limita-



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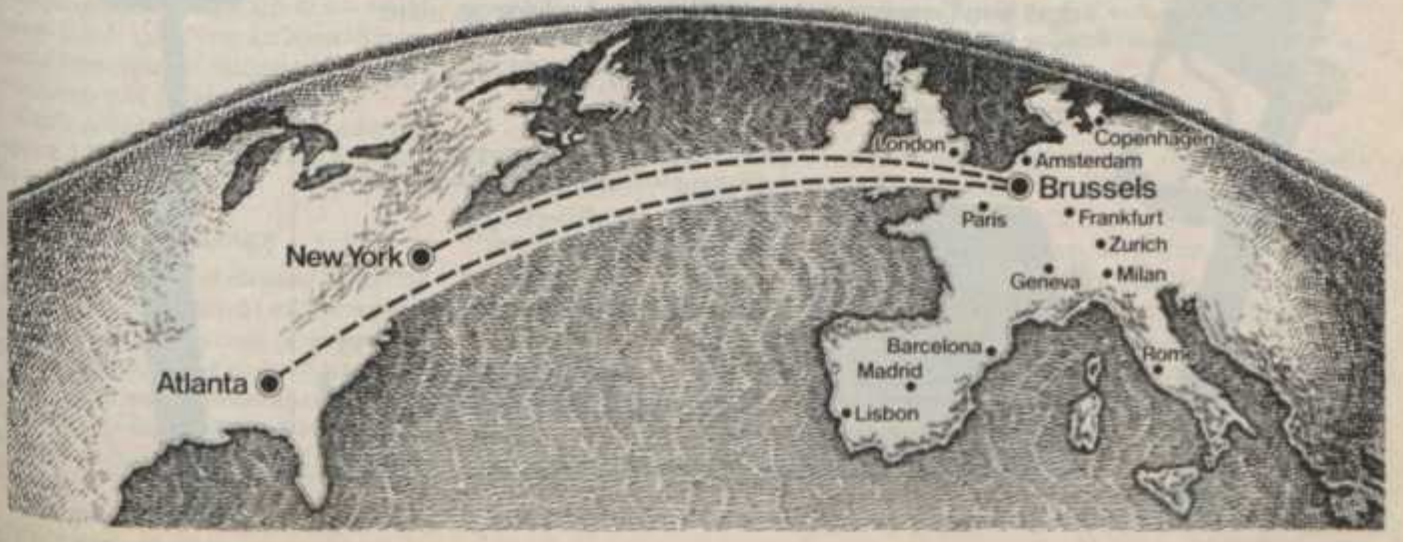
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Expectations of Inflation During 1979

	Increase	Remain Same	Decrease
WORLD	46%	33%	21%
Africa	66%	30%	4%
Asia	51%	27%	22%
Europe	49%	33%	18%
Middle East	60%	28%	12%
Canada and Mexico	44%	37%	19%
South America, including Central America, Caribbean	29%	31%	40%

Assessment of Anti-Inflation Economic Policies During Next Two Years

	Good Job	Fair Job	Poor Job
WORLD	37%	52%	11%
Africa	32%	50%	18%
Asia	55%	45%	1%
Europe	44%	45%	11%
Middle East	45%	22%	33%
Canada and Mexico	12%	72%	16%
South America, including Central America, Caribbean	28%	61%	12%

tions on foreign ownership. Similarly, foreign government-owned companies also hamper U. S. business abroad.

Nearly one fourth of business executives is moderately to seriously concerned about political terrorism.

Looking ahead, the executives anticipate other problems that will limit their abilities to compete abroad. Increases in tariff or nontariff barriers by the U. S. and other countries are frequently cited. Arab antiboycott regulations of the U. S. Commerce and Treasury departments will also cause difficulties, according to one third of those responding.

Other potential problems cited by ten percent or more of those responding include the 1978 amendment to the Taxation of Americans Working Abroad Act, the possible elimination of deferral of U. S. income taxes until earnings are returned to the United States, and U. S. antibribery legislation.

U. S. business executives abroad are confident they will expand sales and profits during 1979 and through 1983.

More than one third of the executives expects to increase U. S. exports and more than half expects to increase U. S. imports. □

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Resource Recovery Means Waste Not, Want Not

The key to coping with America's trash is recycling glass, paper, and metals

By Michael Thoryn

AMERICANS tossed out 150 million tons of rubbish, garbage, discards, and trash last year.

Where it all went and what happened after it got there has become a towering problem for cities of all sizes, particularly those in the Northeast Corridor.

"For years we've buried it in landfills, put it out to sea, and burned it," says Dr. Rocco A. Petrone, who heads the National Center for Resource Recovery, which was formed in 1970 to develop practical alternatives to traditional waste disposal. "In the past ten years, the United States has become more sensitive to the damage of open dumps and decomposing garbage."

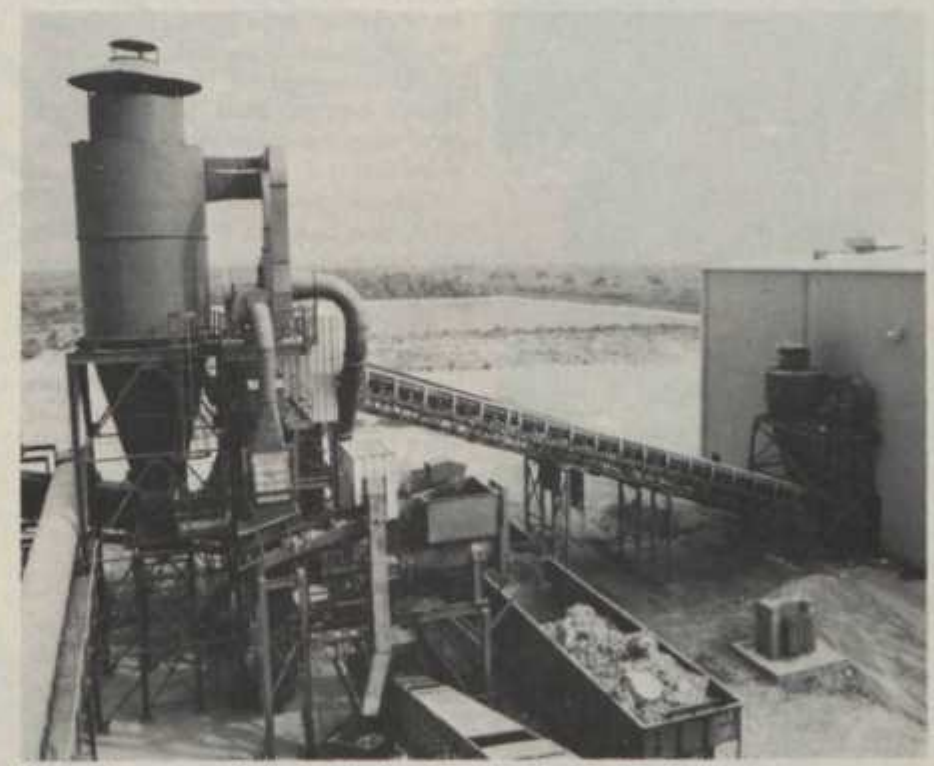
Solid waste is an inevitable part of daily existence. The Environmental Protection Agency has calculated that in 1976 municipal solid waste—food discards, leaves, old newspapers and magazines, cans, bottles, disposable products, broken toys, vacuum cleaner sweepings, and just plain dirt—would have filled the New Orleans Superdome from floor to ceiling twice a day, weekends and holidays included.

Each American contributes an average of 3.5 pounds daily to the pile, and the trend is upward.

Perplexing challenge

The collection and disposal of all this waste cost more than $4 billion a year. Increasing population, diminishing landfill space, rising costs to transport refuse, and environmental regulations make waste disposal a perplexing challenge that has no single or simple solution.

To cope with the flow, several cities have turned to various forms of resource recovery, which fits between the collection of refuse and its disposal.



Moving by conveyer belt, shredded garbage is sorted by size, bulk, and density at the New Orleans Recovery I plant. One valuable resource recovered is metal cans, which tumble into a waiting rail car.

Resource recovery describes the systematic extraction of glass, paper, and metals from piles of waste and the recycling of these materials. Massive machines ingest the trash, sort it by size and weight, shred it, magnetize it, air blast it, and treat it with chemicals. The residue, ten percent or so, is buried in a landfill, and recycled materials are sold for the manufacture of new cans, bottles, and paper. Solid waste can also be used to generate energy, primarily in the form of steam or gas.

More than $1 billion worth of resource recovery plants are in place or under construction; 25 will be in operation by the end of next year. EPA and the Energy Department are helping development with $34 million in planning grants for fiscal 1979 and 1980.

However, even the most successful plants—such as the ones in Milwaukee, Wis., built by the Americology Di-

vision of American Can Co.; in Hempstead, N. Y., built by Parsons & Whittemore, Inc.; and in Saugus, Mass., serving northern Boston and ten neighboring communities—are struggling financially.

Dr. Petrone notes: "These plants are first generation. What has been done so far is that conveyers, crushers, and handling equipment from the mining industry have been adapted to resource recovery.

"Up to now, there hasn't been much research and development on solid waste."

Judd H. Alexander, senior vice president of American Can, says: "Resource recovery is a viable answer now for large cities with high-cost alternatives. Landfill is still best for many smaller cities, but local officials have problems in acquiring new landfill sites.

"We are not running out of holes in which to put our garbage; we are just running out of cheap, well-located holes. No one wants a landfill next door," Mr. Alexander adds.



The National Center for Resource Recovery in Washington, D. C., will process federal wastepaper into dense pellets for burning in a Pentagon boiler.

Widespread community opposition to landfills is making still expensive resource recovery plants much more attractive to city officials.

"Progress to implement resource recovery systems is slow but steady," Dr. Petrone says. "We project that by 2000 about a third of the nation's municipal solid waste will be processed for recovery."

Basic principles

For cities cautiously considering resource recovery, these basic principles will help.

- Use proven technologies. At the trouble-plagued plant in Baltimore, Md., dynamite was needed to break up a 1,000-ton shredded mass formed by a spontaneous combustion fire.
- Provide enough trash to feed the machine. Landfill tipping costs less than resource recovery, and it takes a lot of garbage to produce salable quantities of fuel and raw materials.
- Get guaranteed markets for the plant's output. Most public utilities have been reluctant to buy refuse-derived fuel.

Citizens' groups such as Environmental Action, based in Washington, D. C., say severe problems may result from high-technology resource recovery.

Marchant Wentworth, a legislative representative for Environmental Action, says: "Those garbage gobblers could encourage the generation of more trash rather than less. The trash machines may also lock out alternatives that consume less energy and capital.

Poverty level

"While the concept of resource recovery is quite a new idea, recycling is not," he says. "For centuries, used products have been reclaimed and returned to manufacturers for reuse and refabrication.

"In fact, only the very rich could afford not to reuse cloth, glass, metals of all kinds, and paper. People at the poverty level made use of all their resources."

To minimize garbage piles in today's affluent society, both Mr. Wentworth and Dr. Petrone advocate recovering more of our discarded resources.

However, the motivation for a city is not recovering aluminum cans or generating energy, but solving its landfill problem, says Thomas P. Graves, director of energy staff at the U. S. Conference of Mayors.

"Cities are not risk-takers. It is hard for a mayor to sell an expensive system to the voters. However, five to ten years down the road, resource recovery will be a money-saver."

Richard L. Hanneman, a spokesman for the National Solid Wastes Management Association, sees a longer timetable for resource recovery. "Every practicing solid waste professional thinks landfills will be the backbone of our disposal system for years to come," he says.

Nevertheless, research at a test facility in Washington, D. C., and at a 650-ton-per-day plant dubbed Recovery I in New Orleans has produced solid results. Since Recovery I opened in 1974, New Orleans has closed five incinerators.

Machine disposal easier

Cynics point out that human nature is on the side of the technological solution. Voluntary recycling efforts have lagged, and landfills are piled high, they say. It's easier and more effective to let machines dispose of waste.

But building a big resource recovery plant requires big dollars. And although materials conservation and environmental upgrading of landfills are governmental policy through the Resource Conservation and Recovery Act of 1976, sewage disposal plants get most of the federal money—$4.2 billion this year.

P. Aarne Vesilind, a civil engineering professor at Duke University, says: "From the standpoint of existing legislation, resource recovery is generally strongly promoted but weakly funded by the federal government, nominally promoted and even less funded by state governments, and almost unknown to local governments."

At the federal level, three agencies with strikingly different goals are examining the potential of resource recovery.

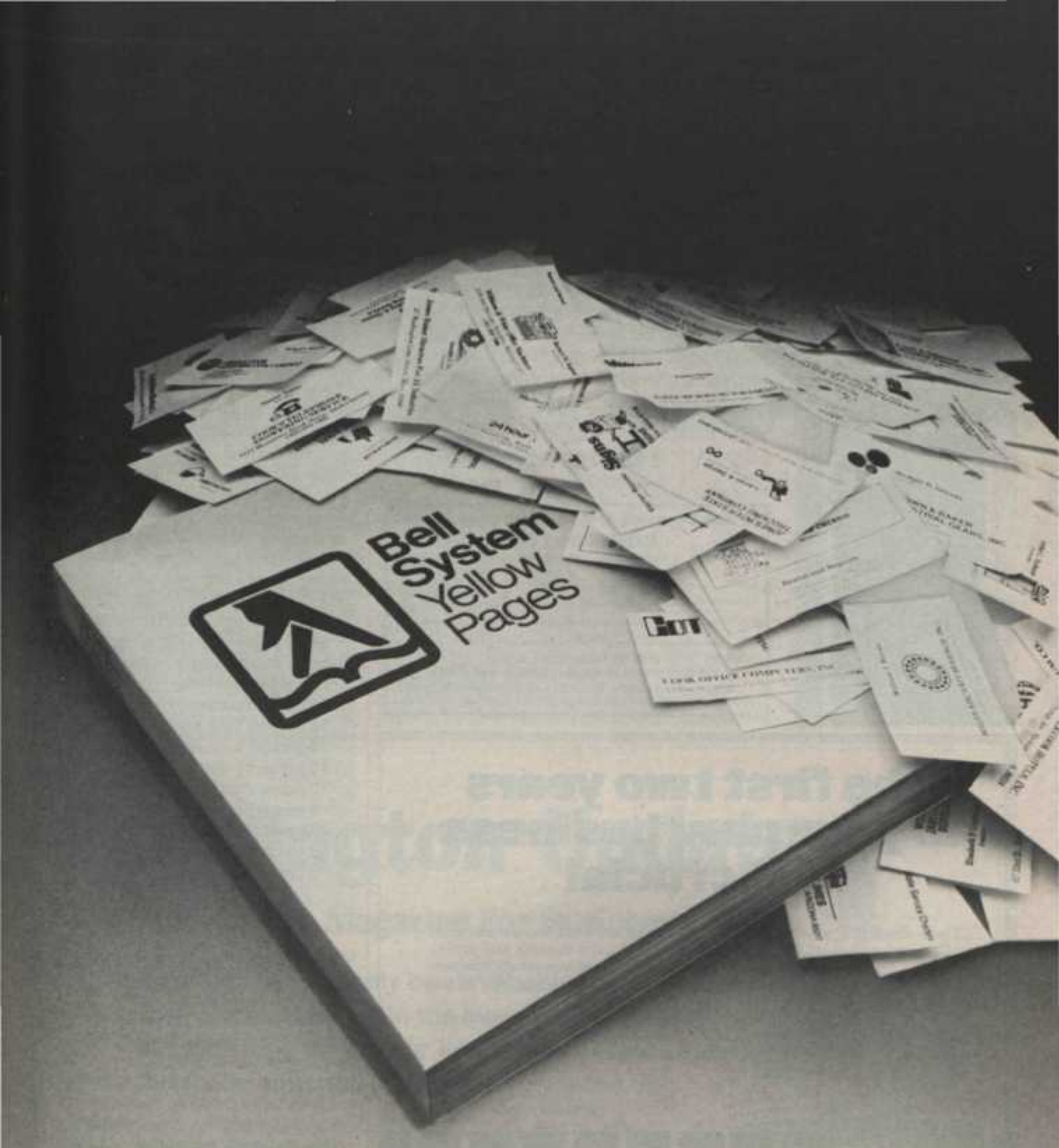
EPA, focusing on hazardous wastes, sees resource recovery as a disposal alternative that can reduce environmental problems.

New business

The Commerce Department is planning to promote resource recovery as an economic opportunity for the creation of new business.

The Energy Department supports resource recovery energy systems, albeit with a very small professional staff.

The energy potential of garbage is just beginning to be tapped. The resource recovery center estimates that about six percent of the energy available in municipal solid waste is recov-



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ered by combustion or recycling. Three promising examples are:

- North Little Rock, Ark., has shown that energy recovery is practical in smaller communities. Two small modular incinerators in a facility that cost only $1.5 million produce steam from garbage for a wood preservation plant 1,000 yards away.
- Hooker Chemical Corp. is hoping to get ten percent of the power from its plant in Niagara Falls, N. Y., a $65 million waste-to-steam facility.
- The $73 million resource recovery plant in Hempstead sells electricity to the Long Island Lighting Co.

Talking Trash

What's in American garbage?

Municipal waste composition varies according to the size, location, and type of neighborhood, time of year, and the weather.

Rural communities, for example, have more food and yard waste but less paper. Metropolitan areas have a larger percentage of old newspapers.

Just after Christmas, there are more paper, ribbons, boxes, and woody remains of Christmas trees.

The National Center for Resource Recovery has found that a typical load of organic and inorganic waste breaks down like this:

35 percent paper,
16 percent yard wastes,
15 percent food wastes,
10 percent metals,
10 percent glass,
4 percent plastics,
3 percent rubber and leather,
2 percent textiles, and
5 percent miscellaneous.

Recycling metals found in garbage can save large amounts of energy over the manufacture of virgin materials.

The National Association of Recycling Industries says finished copper from scrap takes 87 percent less energy, lead takes 63 percent less, and aluminum a startling 96 percent less. About 25 percent of U. S. aluminum is made from scrap, the association says.

One innovative effort will let the federal government feed on itself. The National Center for Resource Recovery has contracted with the Energy Department to experiment with converting wastepaper from federal offices into fuel pellets for a Pentagon boiler. □

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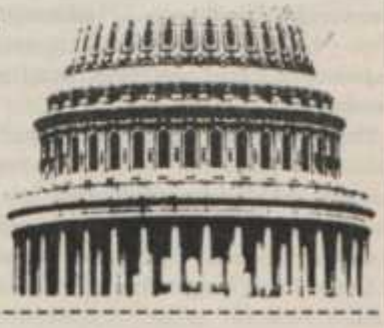
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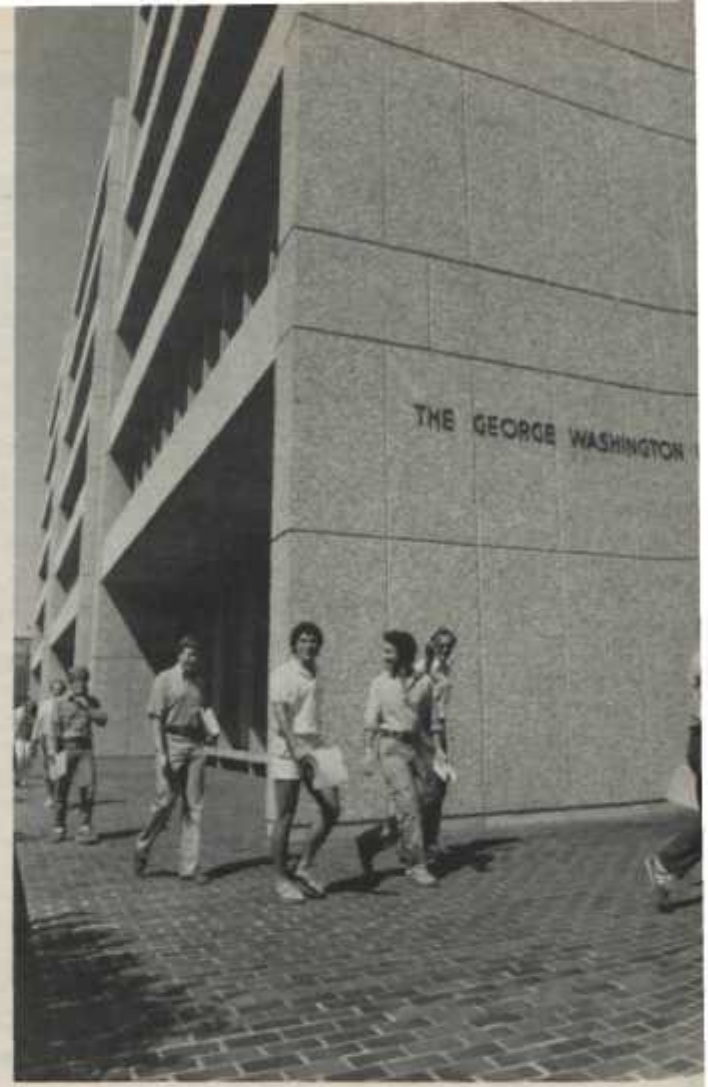
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Pricing Paperwork by the Pound

Colleges are forced to spend resources on passing the government's regulatory tests

By Mary Paul



A recent survey of colleges and universities revealed that complying with federal regulations costs some institutions as much as 50 cents for every dollar received from the Department of Health, Education and Welfare.

GOVERNMENT REGULATORS are a bigger tribulation to college presidents than student protesters ever were. They have never occupied the administration building, but their copious regulations occupy administrative time, multiply reporting paperwork, and restrain academic freedom.

The paperwork that educational institutions must file with the government is no longer measured by the page but by the pound. A single report from the University of North Carolina at Greensboro weighed in at 12 pounds plus.

High paperwork cost

All that bulk is also extremely costly. The Department of Health, Education and Welfare, which requires the reports, says it adds enough funding to cover the costs of the regulations, but colleges generally disagree.

A recent report by the Southern Association of Colleges and Schools found that complying with federal regulations costs some private colleges as much as half of every dollar of aid received, over and above the amount provided by HEW for compliance.

One administrator interviewed for the associaton's report says: "All of us agree that for the most part the ideas behind the regulations are good and worthy. The difficulty is that when bureaucrats write regulations, they make them extremely complicated and difficult to administer as well as expensive in time and effort."

The end result, he says, is that "regulations are becoming so numerous that they encroach on the freedom and action of the private colleges."

"What makes it so hard to fight these infringements is the bad image you get when you give the impression you are against the programs," says another administrator. "People get confused when you say you support the goals but want freedom, too."

Public university administrators are often more troubled because they tend to accept more federal aid.

In 1976, the four major universities in the nation's capital—George Washington, Georgetown, American, and Catholic—issued a declaration of independence from federal control. In the statement, at the time without precedent, the universities stated their resolve to ". . . maintain institutional independence from any external intervention which threatens the integrity of our institutions, including refusal of federal funds which carry such threats."

Tough to turn down

In today's economy, however, it's tough for any institution, public or private, to turn down federal funds. Schools like George Washington, which has both a medical and a law school, find it impossible to refuse federal funding.

With the exception of some private religious schools, no institution can make do without student aid.

HEW has ruled that Title IX of the Civil Rights Act, which requires equal-

ity in admissions standards, covers any institution receiving federal assistance in the form of scholarships, loans, grants, or other funds. Because their students receive some federal assistance, schools that may never have gotten a federal dollar for their programs are now classed as recipient institutions.

Faster than inflation

These schools must produce the paperwork the regulations require. And the time and cost of that paperwork are increasing at a rate far ahead of the rate of inflation.

At Duke University, for example, the per-student cost of implementing federal social programs and meeting the reporting requirements rose from $58 in 1968 to $451 in 1975. An even more dramatic example is Georgetown University, where the per-student cost skyrocketed from $16 in 1965 to $356 ten years later.

A study by the American Council on Education shows the cost of complying with federal regulations at six sample colleges and universities was $10 million, excluding the Title IX regulations.

Just establishing an affirmative action plan to meet HEW criteria cost the University of California at Berkeley $400,000, while the University of Michigan shelled out $350,000 to develop its program.

At a large university, the total cost of all regulations can run into the millions. The University of Illinois spent $1.3 million on all program regulations in 1975. Georgetown and Duke paid about $3.6 million each.

Charge of exaggeration

However, HEW Secretary Joseph A. Califano claims that colleges and universities tend to exaggerate compliance costs. He says HEW has found that costs of regulations barring discrimination against the handicapped are "far lower than the universities said they were."

Mr. Califano previously stated that



Lloyd H. Elliott, president of The George Washington University, says students ultimately pay the costs of regulation in higher tuition.

institutional comments on the costs of administering Title IX did not prove to him that colleges really face financial difficulty in complying with the regulations.

But a group of college presidents who met with the Secretary recently disputed this statement. They went further and said they did not believe that the regulations even attain the social objectives the law intended.

Congress has asked HEW to prepare another study of the costs of regulatory compliance.

The American Council on Education says the cost to universities and colleges of affirmative action programs "has only just begun to be felt."

In 1975, HEW interpreted Title IX to mean that schools must spend as much on women's intercollegiate athletics as on men's. This has meant that some schools' football teams that had been self-sustaining have had to divert some revenues to women's sports. The ruling has led to cutbacks in some schools' athletic programs for men.

"The absurdity of this kind of ruling is appalling when one realizes the implications," says one college administrator. "Where will it end?"

Regulation also diverts an institution's resources from the purpose for which they were intended. The University of North Carolina reports that its computers were swamped in attempting to compile ten reports required by HEW.

Diverts other resources

"All other uses of the computer stopped," says the university's director of institutional research. "For six months, we did nothing but HEW reports."

George Washington President Lloyd H. Elliott recalls the bureaucratic hassle that resulted when HEW challenged his school on Title IX requirements.

In January, 1975, HEW began a review of the school's law center in response to a complaint. "We provided them with armloads of data, but the next year they were back asking for more interviews," Dr. Elliott says. By 1977, the school had met requests for additional data four times.

During the three and a half years of investigation, the school had to hire an attorney, 12 faculty members were involved in compiling information, and, for a time, the law school's dean and associate dean worked on the project almost full-time.

"They were doing this when they should have been doing academic things for the school," says Dr. Elliott.

The investigation ended in a bureaucratic whimper. "After all that time and money, HEW ended up taking our word that the school had not violated the Title IX statute."

Students are losers

The money that the colleges spend on compliance doesn't come out of Uncle Sam's pocket. It comes from the institutions and, ultimately, from the students themselves.

Institutions have to cover these costs



President Craven Williams says Gardner-Webb College's refusal to accept federal aid makes his school more responsive to the needs of the community.

through tuition increases, at a time when inflation is making the price of higher education impossible for more and more families, says Dr. Elliott.

All students pay, but the students who suffer most from tuition hikes are the ones who can afford it the least—low-income and minority students who use the social programs that push up college costs.

One private institution, Hillsdale College in Hillsdale, Mich., is resisting HEW on the Title IX admissions policy issue. Hillsdale, which has never taken federal funds except for student aid in its 134-year history, was told by HEW in December, 1977, that it would begin enforcement proceedings against the school unless the required affirmative action program was established and Hillsdale began filing compliance reports.

Hillsdale, which had never discriminated on the basis of sex or race, refused. HEW threatened to cut off all federal student aid, including veterans' benefits, if the school didn't comply. Hillsdale hired a lawyer.

The college won the first round before an administrative law judge who decided that HEW couldn't withhold funds. HEW has appealed.

Fight for independence

Independence, says Hillsdale's administrative vice president, LaMar Fowler, is what the fight is really all about. "We don't accept federal aid," he says. "We've been independent since the beginning, and we want to continue that way.

"You can't be independent with the federal government giving you money," he adds.

Rep. Phil Crane (R.-Ill.) a graduate of Hillsdale, supports colleges that choose to remain free from the encumbrances of federal funding.

"There's more freedom of all kinds when an institution is free from government control," he says. "That control is sometimes subtle and sometimes not so subtle, but it's getting harder in today's climate to maintain the kind of independence that Hillsdale offers."

Control of destiny

Gardner-Webb College in Boiling Springs, N. C., doesn't accept federal funding for its programs either. Says President Craven E. Williams: "The control of our own destiny requires a freedom to do what our own sense of freedom dictates. We feel that, because we do not accept aid, we don't have to wait for a decision from a state legislature or from Washington."

Former Yale University President Kingman Brewster describes the federal attitude toward aid and regulation as one of "now that I have bought the button, I have the right to design the coat."

President Eisenhower saw it all coming 25 years ago when he warned: "The prospect of domination of the nation's scholars by the federal government, project allocation, and the power of money is ever present and is gravely to be regarded."

Today, the late President's Orwellian vision has come true. Says Duke University President Terry Sanford: "The avalanche of recent government regulations threatens to dominate campus management. At the present rate, it is not difficult to imagine a day when faculties and administrators will spend all their time filling out government forms. . . ." □

PHOTO: REM PHOTOS



"There's more freedom of all kinds when an institution is free from government control," says Hillsdale alumnus Rep. Phil Crane (R.-Ill.).

For the Asking

"We do not accept as an institution any funds from the federal government.

"And that is a statement that very, very few colleges and universities in the United States can make. We build all our own buildings, we purchase all our equipment, we operate all our programs and activities entirely with nongovernment funds.

"Yet, government funds are there, virtually for the asking. Literally millions of dollars are doled out annually, and while I cannot assure you we would get these funds, I can tick off for you a long list of institutions which have benefitted greatly by direct grants from the federal government. I have considerable confidence that our efforts would be successful."

Dr. Craven E. Williams
President
Gardner-Webb College

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In sum, it's an ideal method for anyone who seeks high profit potential but a hassle-free income from real estate.

To illustrate how this method works, here are some actual cases of average people—not professional businessmen—who have profited from it, just as I did.

• Jennie Lashin, a housewife living in Western Tennessee, used only $500.00 and PMC to obtain income property—no mortgage, no complications. But, a few years later, she sold this and several other properties for a net profit of $40,000.00.

• Matthew Sutherland from Georgia did even better. A few years ago he was up to his neck in debt. He and his wife scraped together $300.00. Using PMC they made a net profit of $50,000.00 and still maintain current holdings to reduce tax liability. But, most importantly, Mr. and Mrs. Sutherland never borrowed a single penny to finance their property. They did it all using Property Market Control.

• Jerry Doyle, a gas station operator from Arkansas, began using PMC in 1971. A few years later he sold the gas station and "retired." He and his wife, Tina, now enjoy life in a beautiful home overlooking their 100 acre estate. What's more, they still control property in Arkansas, Florida, Missouri and Minnesota and are planning a second home in Florida—all by using the leverage of PMC.

$700,000.00 WITH PMC

• I must emphasize that this is not some kind of get rich quick scheme. It's a business and as such, it's speculative. But the profit potential is staggering. Consider my friend B. L. Tulley. He quit school at the end of the fifth grade, and was blinded in an accident in 1965. He had no special knowledge or influence—not even a trade to ply. But, by using PMC (and only $500.00) he made over $700,000.00 and still "controls" over more than 3,000 acres of property in the U.S. and Canada.

Obviously, I can't guarantee you'll make as much money as these folks. Then again, you might make more. It depends upon your initiative, and current market conditions.

EASY TO BEGIN

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Business
Life-Style



Out in the blue water of the Gulf Stream, dolphins give battle.



The surf fisherman's lonely vigil is warmed by magnificent panoramas.



Scrapping to the end, a leaping sailfish resists the mate's gaff.



Stealth and skill are required to hook the easily spooked bonefish.

SALTWATER FISHING

Hook, Line, and Dinner

By John Costello

WHEN Vicki Crawford Robinson looks west out of the windows of her beach home, she can see Catalina Island. In between are miles and miles of salt water.

That does something to Mrs. Robinson.

Like what happens to a disco dancer when the strobes start to pulsate.

To a jazz musician, when the ivories begin to tinkle, and the saxes start to moan.

Or to a horseplayer, when the starting gates clang open, and the announcer shouts: "They're off!"

In short, her pulse quickens.

She feels that urge, so graphically described in summer by the signs on many a shop's closed door: "Gone fishing."

Mrs. Robinson is not the only victim of saltwater fishing fever. According to the U. S. Fish and Wildlife Service, one American out of every four goes fishing.

That includes kids in diapers and knee-pants.

Some that young do fish.

James C. Motako, tournament director of the annual $20,000 White Marlin Open at Ocean City, Md., was only three years old, and probably damp on occasion, when he first wet a line.



He, his Dad, and a brother one year older used to camp out in pup tents and "fish for creek chubs."

Creek chubs?

"Yeah," the deep-sea fisherman says sheepishly, "they're like big minnows."

GOLFERS may scoff. Tennis buffs may snicker. Joggers may sneer. But one polling agency reports that fishing is the No. 1 participant sport for men. And No. 2 for women, after swimming.

Anglers aren't cheap, either. They spread the bread for their hobby.

Boats are a big-ticket item. This year, boat owners will plunk down nearly $6 billion for new and used

boats, accessories, and incidentals, including boat club dues.

Then there's fishing equipment. Rods, reels, spoons, lures—the tab comes to about $600 million a year, the American Fishing Tackle Manufacturers Association says.

Mackerel, shrimp, squid, mullet, and other bait are extra.

But $6 billion for boats? That's 60,000 condominiums worth $100,000 apiece and renting, say, for $600 a month.

Fishermen could earn an annual $432 million on that kind of an investment. What do they get instead?

Many different rewards, saltwater fishermen say—excitement, the thrill of competition, a dream occasionally come true, to say nothing of a tasty entree.



SANDY L. BROOKS, secretary-treasurer of the American Tackle Corp., Melbourne, Fla., loves to surf fish.

"I don't know how to put it into words," she says. "But when I'm fishing, and I feel that tug at the end of my line, that's it. I love that.

"You don't always catch the fish, you know. A lot of them get away. So it's a challenge. And it's not too unequal a contest. I use light tackle.

"The fish has a chance."

Some physical rewards go with the psychic.

"I love being on the ocean itself," she says, "and in the sunshine. You can go out there on the beach, cast in the surf, relax in the sun, and wait for the fish to come to you."

With some sports or hobbies, doing your thing may leave you fulfilled but famished.

At the end of a great workout on the slopes, for example, a skier can't eat his lift ticket.

But for a saltwater fisherman, a good day can mean a memorable trip to the dinner table.

"In our surf," says Mrs. Brooks, "you can always get whiting. And depending on the season, you can generally get pompano and red fish.



"Pompano is fantastic eating. And I like whiting, though a lot of people don't. Its white flesh is very sweet. I bring it home, skin it, and cook it up with a little butter and pepper and salt."

Sandy Brooks learned to fish as soon as her first two sons were old enough.

"They used to go fishing with their father, and I wanted to go along. I was a rotten fisherman then. I didn't even like to bait the hook."

But no longer.

"I can do it all, now," she says, "even to cleaning my own fish."

TO MILTON C. SHEDD, fishing's a lot like life. He should know. He has seen a lot of both.

Mr. Shedd is a former investment banker who served as a company commander with the Americal Division in the South Pacific in World War II. He's also a founder, now board chairman, of Sea World, Inc., in San Diego, Calif.

"I've come to recognize," he says, "that success in living is a matter of looking at the way things happened before, how they're happening now, and predicting how they're going to happen.

"Then, making a commitment that's going to give you some benefit—if you're correct. That's true, whether it's investing, combat, athletics, or your family life.

"Now, in a business venture, it takes a long time for your decision to pay off.

"But not in fishing.

"Your decision-making process is the same, but you get almost instant satisfaction. If you're right, you've hooked your fish."



Fifty years later, he can still recall vividly the first time he saw the Pacific Ocean from Malibu pier.

A friend's father took the two small boys there.

"It just absolutely fascinated me," he says.

"We could see a few smelt and a couple of perch. And I remember my friend's father saying: 'You see that ocean? It goes almost all the way around the world. It just goes on forever. And there is more life in that sea than you can imagine.' "

That trip to the pier changed Mr. Shedd's life.

"As soon as I was big enough," he says, "I'd get on the Pico bus that ran a block and a half from my home, ride it about ten miles down to the Santa Monica pier, and fish."



Not even World War II interfered with Mr. Shedd's hobby.

"When my company was on Bougainville," he recalls, "I'd take the camouflage nets that you put over artillery, and make floats out of little rubber pillows you blew up.

"The 155-millimeter shells had an eyebolt that screwed in where you put the fuse.

"The eyebolts were heavy cast iron. We made weights out of them. We'd sew the nets together, get an engineer's boat with an outboard motor, and make a big circle around the fish that swam near the shore.

"We would take maybe a couple of hundred pounds of inshore fish, like pompano."

This wasn't as much sport as fishing on a lightweight test line for albacore in the deep seas.

But in the mess, it sure beat K rations.

HENRY S. URBAN grew up in the Bronx. Does that bring to your mind's eye block after block of seedy, four-story brick walk-ups?

A dreary ghetto where kids turn on fire hydrants to cool down the simmering asphalt streets and themselves?

If so, forget it.

Mr. Urban lived on City Island. It's part of the Bronx, but is geographically on Long Island Sound.

"When I was a kid," he says, "City Island was just like a small town. It was full of shipyards and sail lofts. One of them, Ratsey and Lapthorn, was the biggest sail loft in the world.

"When Thomas Lipton used to come over and sail for the America's Cup, they made his sails there.

"And the pier was a two-block walk from my home. My father and I used to go there and fish right off the dock. We'd catch flounder and snapper blues."

Now he's in a bigger league and



Henry Urban caught this 985-lb. black marlin on the Great Barrier Reef.

after bigger game. By profession, he's a businessman, president of a New York upholstery and drapery firm.

By avocation, he's a deep-sea, saltwater fisherman, and a member of the New York Athletic Club's Anglers Club—one of the world's most famous.

WHAT HE WANTS most is a 1,000-pound black marlin.

"I'm a fisherman," he says, "and I want a big fish. That's what it boils down to."

In 1975, off Australia's Great Barrier Reef, he caught a 985-pound black marlin.

"That's where the big ones are," he says.

"Down there, that's all they talk about, the charter boat captains—the Grand, the thousand pounders.

"Anything below that, unless you want to mount it, you release.

"Why deplete the ocean?"

He's going back next year, probably in November, to try to get one. "It's a goal," he says, "like wanting to break par in golf."

Vicki Robinson would understand that.

Competiton is what she likes about fishing.

That same instinct put her in business.

"When I became a qualified court reporter," she says, "I found that no firm would hire a woman. So I started my own—Crawford Deposition Service."

The California businesswoman says she started fishing because that's where the boys were.

But she got better at it than the boys.

A few years ago, she outfished her husband in a tournament in Baja California.

Now they no longer butt heads together—with rod and reel.

But it wasn't Mrs. Robinson who called it quits.

JIM MOTSKO no longer fishes for creek chubs.

He's after bigger game—mostly white marlin.

He first fished for them as a mate on a charter boat, sailing out of Ocean City, Md. That resort town calls itself the White Marlin Capital of the World.

Saltwater fishing takes skills.

"If you and I go out on a boat," Mr. Motsko says, "with the same tackle and the same bait, I'm going to outfish you."

What does he do that others don't?

"Well, I watch the bait," he says. "If the fish takes it, let him run with it. Sometimes the bait, like mackerel, is eight to ten inches long. And the hook isn't really that big.

"The fish can hold the bait and never really get hooked.

"But if you let him have it a while—he turns it around in his mouth—when you tug on the line, you have a shot at hooking him.

"I'd say a good fisherman hooks maybe one or two out of every three marlin that show an interest in the bait. Forty percent, over a decent period of time, would be a good percentage."

ONE OF THE THINGS Mr. Motsko likes about fishing is that it is a great equalizer.

"Once you get that bait in the water," he says, "it doesn't make any difference who you are—if you've got a million bucks in the bank or if you're a starving mate on a fishing boat.

"In a boat, behind that rod, you're all equal. "From that point on, it's who is a better fisherman."

Mr. Motsko started the Ocean City $20,000 White Marlin Open in the hope of winning it himself sometime.

"I have won other tourneys," he says. "I figured that if I got lucky, I might win the bundle."

But he never has.

LIKE GOLF, fishing has given rise to a literary form all its own: The Fish Story. One of the classics goes like this:

Two anglers met on vacation. They swapped tall tales about their catches, and each was bigger and better than the other.

Finally, one described the grueling battle he had with a 300-pound salmon on a six-pound test line.

"I've never landed any like that," the second fisherman admitted. "But I did have a rather unusual catch.

"I hooked an old lantern. When I brought it up, I learned that it was from a boat that sank in 1908.

"But the odd thing was this. Seventy years after the boat sank, that waterproof lantern still had a light burning in it."

The first fisherman was speechless for a while. Then he said: "Tell you what I'll do.

"I'll take 200 pounds off my fish if you'll put out the light in your lantern." □

PHOTO: E. C. JOHNSON—LENSMAN



When marauding schools of bluefish sweep close to shore, surf fishermen drop everything to go and catch them.



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Employees' Perks Lag Behind Pay Increases

THE growth in fringe benefits has not kept up with the growth in cash compensation for salaried employees in the past year.

This is the conclusion of the ninth Hay Noncash Compensation Survey by Hay Associates, management consultants in Washington, D. C. The most recent survey has a data base of 526 U. S. employers.

While many benefits have stabilized in relation to pay, Hay reports that sickness and disability income is expanding less rapidly than cash compensation. So are health benefits, reimbursement of employee business expenses, and pension plans.

The survey reports a growing use of thrift plans, although these, too, have lagged behind pay increases. Under such plans, the employee's own payroll savings are matched or partially matched by the employer and are held in a tax-deferred investment account.

More paid holidays

There was a marked increase in the number of paid holidays in 1978. This included floating holidays, which are taken at the discretion of the employee. Most employers responding to the survey provide ten or more holidays, including at least one floating holiday.

The study also found that specific rewards for executives in the form of stock options and deferred compensation continue to grow. Such perquisites as personal use of company airplanes, however, are being offered by fewer employers than in the past, reflecting the closer public scrutiny being given to such perks.

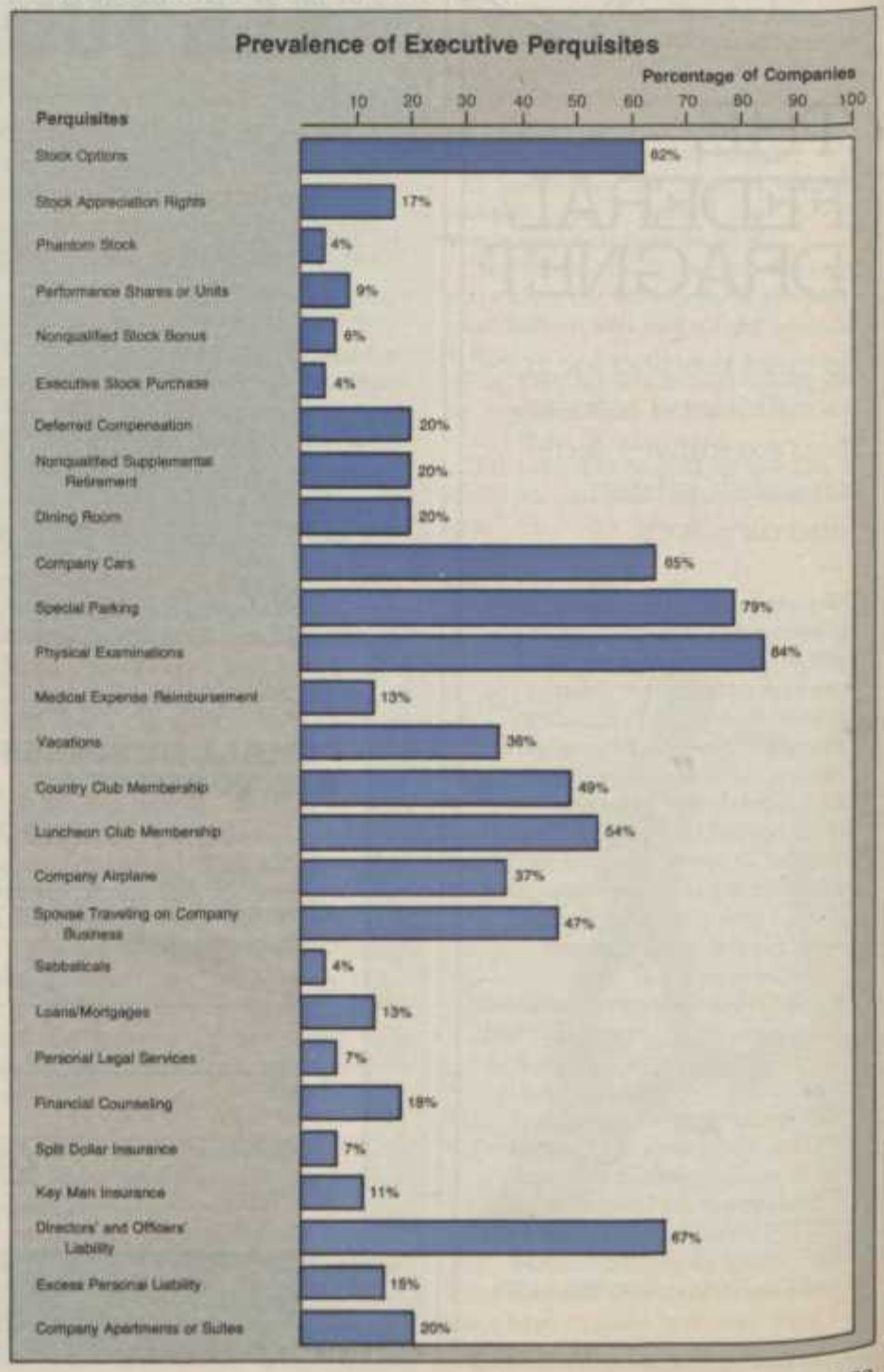
Stock a popular benefit

Another Hay study found that the use of stock appreciation rights continues to grow among the largest U. S. companies. These rights permit an executive to receive the appreciation on a specific number of shares, rather than exercising the underlying stock option. Fifty-six of the top 100 corporations offered these rights last year, compared with 46 in 1977.

The use of stock options remains high, at 86 percent, among the top 100 corporations. But it is 66 percent among smaller corporations, down from 79 percent last year.

Stock options are most prevalent among the top 50 industrial and retail companies, 80 percent of which offer them. Only 62 percent of the top 50 banks offer them and just 20 percent of the top 50 utilities.

Congress is now looking at many of these perks with an eye toward counting them as earned income for tax purposes. □



 continued from page 8F

compare the costs of generating electricity by conventional power with geothermal means," he says.

The pilot plant will use geothermal water of about 300 degrees Fahrenheit, which is too corrosive to use in power generating equipment and not hot enough to generate electrical energy efficiently. "We believe the isobutane will provide the solution," says the firm's spokesman.

New Paper Technology Offers Material Savings

Household paper products are expected to become a $7 billion market by 1990, but no significant increase is forecast for paper requirements.

That represents an annual growth rate of more than six percent for household paper products such as gift wrap, personal sanitary tissue, kitchen towels, dining and entertainment products, and feminine protection products.

According to an industry study by Predicasts, Inc., a market research firm, this disparity between dollar value and materials consumption will be the result of several technological developments in the manufacturing processes of low-density paper.

John Brock, industry analyst for Predicasts, says:

"Low-density tissue products provide increased softness, absorbency, and strength compared to conventional high density products while permitting significant material cost savings because of reduced paper content per unit item."

However, since the new techniques involve through-drying with hot air, more energy is used. "In time," Mr. Brock says, "this could partly offset the material cost savings, if energy costs continue to rise." •

Mail-Order Selling in Living Color

"By 1985, ten percent of U. S. homes with color TV will have video disc players," predicts Maxwell Sroge, president of Maxwell Sroge Co., Inc., a Chicago-based mail-order business development firm.

"And before the turn of the century, the mail-order industry will be selling between $500 million and $1 billion

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worth of video discs to entertain, teach, and inform."

Mr. Sroge says the first mail-order catalog on video disc, which he calls a discalog, will be produced within three years.

He says they "will cost more for initial development but less to produce in quantity and mail than conventional printed catalogs."

They will also show a product in use or how some item is crafted, says Mr. Sroge. "It's getting closer to the ideal, in-store situation with a well-informed salesperson," he adds.

In time, he expects video discs to move into other mail-order operations such as record and book clubs.

The use of toll-free telephone numbers for placing orders has already increased the volume of mail-order businesses such as Sears, Roebuck & Co. and Montgomery Ward. Mr. Sroge predicts the trend will escalate.

"We are looking at future technology that will enhance our businesses," he says. •



By 1985, the popularity of video discs is expected to spawn a multimillion-dollar mail-order business in the United States.

Fire-Fighting Pump Is Space Spin-off

The latest spin-off of America's space technology is a versatile, highly efficient fire-fighting apparatus that goes into commercial production next month.

First developed for the U.S. Coast Guard, the 2,500-pound unit can pump 2,200 gallons of water a minute, giving it the world's highest weight-to-pumping capacity ratio.

Some commercial applications include its use on light trucks by local fire departments, on docks, ships, and offshore oil rigs, and in forests and high-rise apartment buildings. It can also be used as an emergency booster pump for municipal water supplies.

The module can be set up by two people without special equipment and be operational within ten minutes.

The pump is a derivative of technology first developed for rocket engines at the Marshall Space Flight Center in Huntsville, Ala., explains Bud Hartman, program manager at the National Aeronautics and Space Administration's technology utilization office.

Northern Research and Engineering Corp. in Cambridge, Mass., produced the prototype that was tested last month by the Coast Guard. Aviation Power Supply, Inc., of Burbank, Calif., will manufacture the new device, beginning with about ten units in 1979. Each unit will sell for between $175,000 and $200,000.

"Market growth looks very promising," says Bud Chaney, director of marketing for Aviation Power Supply. •

New Steam Methods for Oil to Be Tested

New methods of injecting steam into oil fields to free previously unrecoverable oil will be tested later this year by the Energy Department and two firms.

The 15 concepts originally submitted to the Energy Department have been narrowed down to three. Officials expect to select two by this fall and begin testing their feasibility, according to Robert Anderson, a department program manager for heavy oil and tar sands. A prototype will be constructed, and the first steam injection system may be operating by late 1981.

Today's conventional oil-producing methods recover only about one third or less of the oil in a field. Applying steam to the reservoir results in more oil, but the process is limited to depths less than 2,500 feet. Further down, extreme heat loss through the drill pipe reduces the steam's effectiveness, and current methods make recovery too expensive.

Now the Rocketdyne Division of Rockwell International, Canoga Park, Calif., and Foster Miller, Waltham, Mass., have designed steam generators that can be lowered to the bottom of drill holes up to 5,000 feet.

"By generating steam at the bottom of the well rather than at the surface," says an Energy Department spokesman, "an additional 1.6 billion barrels of oil could be recovered, primarily from California reservoirs." •

Powder Metal Cuts the Best

More and more high-speed cutting tools will be made out of powder metal. The idea is akin to making a sword out of feathers, but advanced powder metallurgy can produce precision cutting tools out of atomized metals.

The powder is compressed, replacing the conventional melting and molding process of steel-making.

According to the Metal Powder Industries Federation, Ford Motor Co. is using a Swedish-made powder-metal tool to machine automatic transmission ring gears, and General Motors is manufacturing machine steel tubing.

In Europe, Volvo, Saab, Volkswagen, and Mercedes-Benz are using powder metal for a variety of gear and engine work. The federation says that improved performance of powder-metal tools "more than compensates for the higher initial cost."

Peter K. Johnson, a spokesman for the federation, says powder-metal technology, which competes against conventional and tungsten carbide

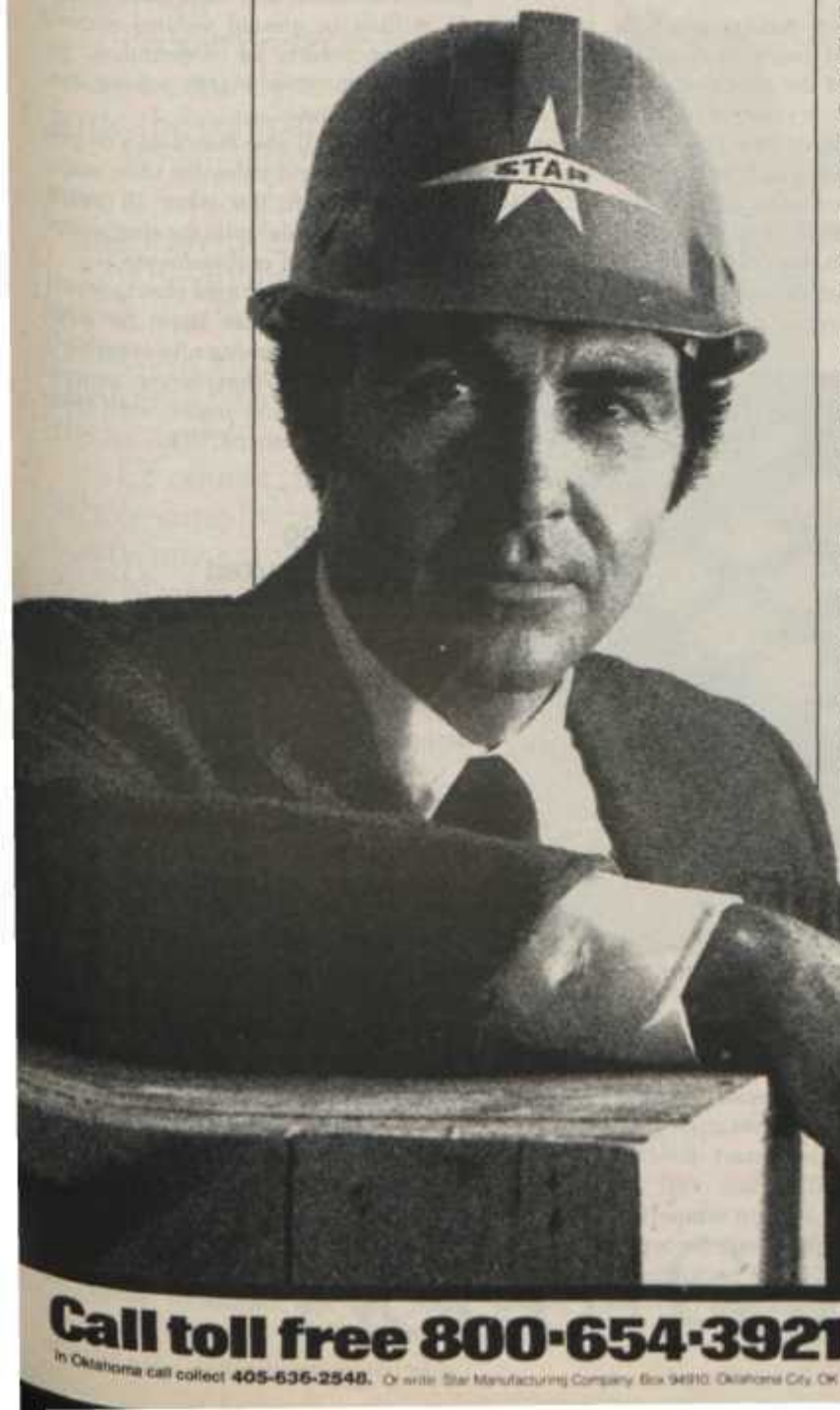


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technology, has great potential because of the uniformity of the final product. In conventional methods, the sophisticated alloys tend to separate.

"This separation," says Mr. Johnson, "produces a nonuniform microstructure. However, with powder metal, each particle is a microingot, a complete alloy, that is isostatically pressed in a chamber to produce excellent tool steel with increased cutting life." •

Laser Welding Is Faster and Brighter

With demand for more than one million electrical relays a year, the Western Electric Co. has developed a new laser welding system that is four times faster than resistance-welding.

Western Electric's computer-controlled, high-speed system spot-welds terminals on printed circuit boards in telephone transmission equipment. The system can make 20 welds per second. It's also more reliable and makes inspection easier.

Resistance-welding leaves no visible mark, so visual inspection could not be done. Laser welding, however, leaves a highly visible, shiny nugget. •

Cable Inspection Without Shutdown

A new inspection system for high voltage cables allows technicians to complete their job without shutting off the power.

The system, using X-rays, was developed by the Battelle Memorial Institute and is now being used by the Bureau of Reclamation to inspect electrical cables at Grand Coulee Dam in Washington.

The X-rays are powerful enough to pass through carbon-steel pipe walls, heavy oil, stainless steel sheathing, insulating tape and paper, and the copper cables.

Originally, X-ray inspection required shutting down the system to take several radiographs, each requiring a two-hour exposure. The improved technique produces individual X-rays in six minutes with no power interruption. A portable on-site darkroom allows rapid evaluation. •

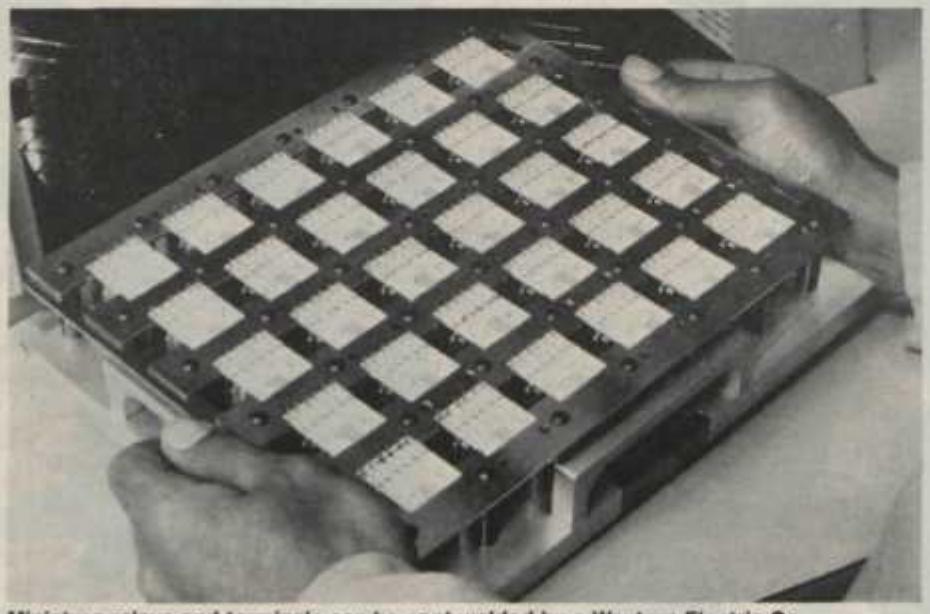
Convenience Spurs Packaging Boom

Harried Americans are turning more and more to convenience foods instead of the traditional home-cooked meal.

As a result, the food processing and packaging machinery industries expect record shipments this year, a rise of 12 percent to $2.14 billion.

The Packaging Institute, U. S. A. notes that prospects for sales growth are favorable as the industry keeps pace with consumer demand for easy-to-prepare processed foods.

A leading innovation for food packaging is the retort pouch, a flexible plastic-aluminum foil lamination which can sustain temperatures of 250 degrees Fahrenheit for typical processing times. Retort packaging can substitute for metal cans or replace frozen food packaging. •



Miniature relays and terminals can be spot welded by a Western Electric Co. laser system that is four times faster than resistance welding.

Independents Gain in Appliance Sales

"Appliance-TV independents have been picking up about $100 million a year for the past several years," and are now getting more than half the total volume of national brand hard goods retail dollars, says Robert L. Brintnall, vice president for the Whirlpool sales division.

He predicts that between 1977 and 1982 the number of applicance-TV stores will grow by more than 3,000 outlets.

Among the growth indicators mentioned by Mr. Brintnall were that the independents reported highest average dollars-per-outlet in 1974, when most other stores were diving into a hard goods recession, and that those above $1 million in annual volume showed excellent return on investment, far above most other stores selling consumer durables.

Mr. Brintnall also forecasts a 60 percent gain in unit sales for nine major appliances over the next 15 years. These will include units for single-family dwellings and replacements.

Among the advantages that independent owner-managers have, he adds, are flexibility in timing and credibility with consumers "that larger general merchandisers can't match with their layers of management." •

Acid-Making Method Imported

A New York firm, Heyward-Robinson Co., is importing a process for making phosphoric acid—a primary ingredient in fertilizers—that saves both money and energy.

Called the Nissan Hemihydrate Process, it's been used successfully in Japan since 1974. A spokesman for Heyward-Robinson says the process makes an acid of 50 percent concentration without evaporation, which is why it is energy-saving, and produces 98 percent yields.

The process is not dependent on high quality phosphate rock. Furthermore, it can be integrated into existing conventional plants.

The impetus for developing this process in the United States, says Heyward-Robinson, includes "high rewards for energy conservation, mandatory regulations for environmental protection, a more competitive marketplace, and less consistent quality of raw materials." □

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Or call 919-733-4151.

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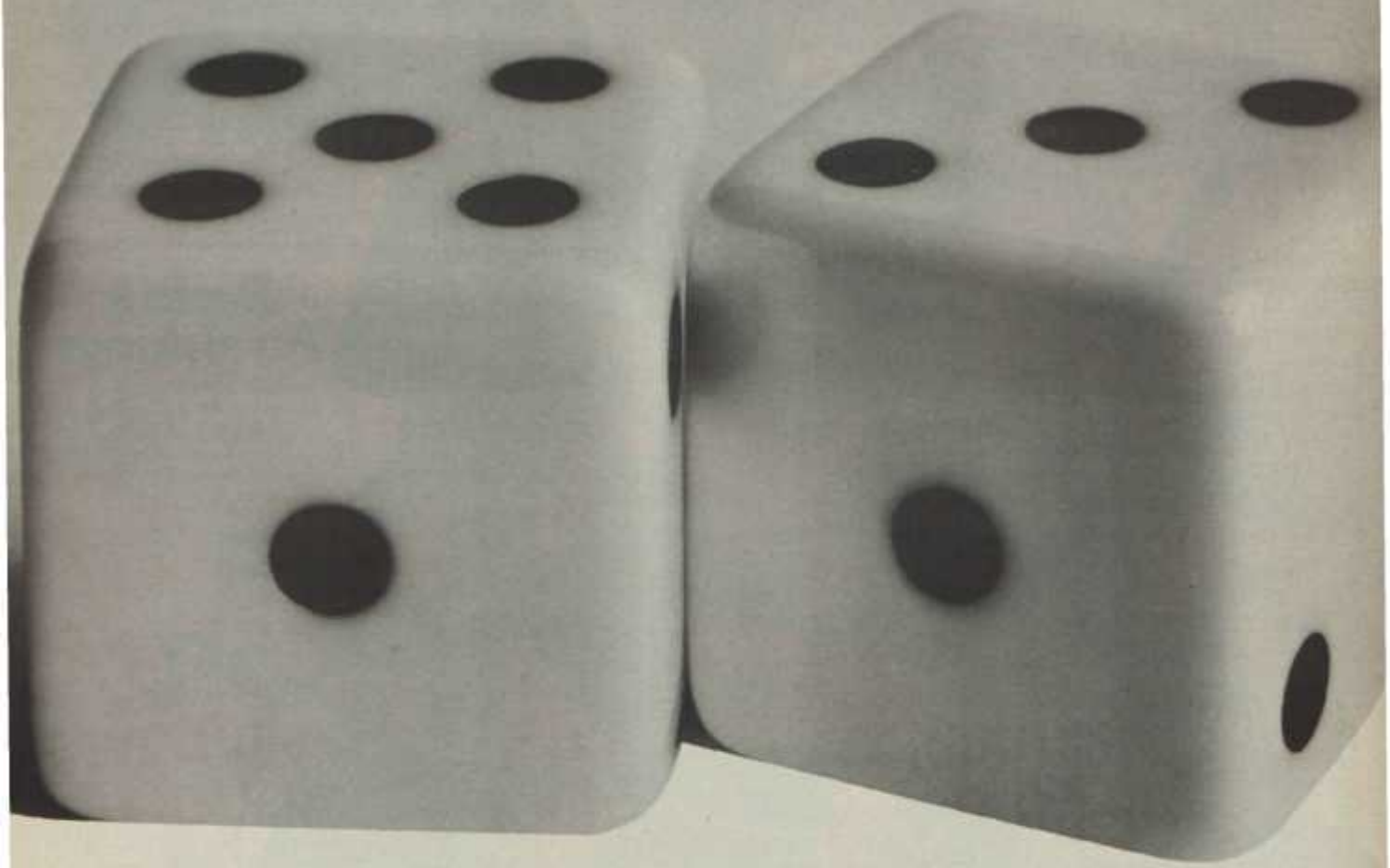
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Disabled Workers Are No Handicap to Business

As employees, they are absent less, produce more, and stay longer

By William Kroger

MARVIN J. EVINK, JR., faced a problem after leaving Gallaudet College in Washington, D.C. He had to find a job, and he is deaf.

Mr. Evink applied at the Chesapeake and Potomac Telephone Co. Within a month he had a job as a business order reviewer, making sure deliveries are filled as ordered.

Recently, he was promoted.

Experiences similar to his are happening again and again all over America. Business people are starting to jump on the help-the-handicapped bandwagon and, at the rate they're going, may soon be driving it.

In fact, so many businesses are seeking qualified disabled workers that in some areas the demand exceeds the supply.

"There is getting to be a much bigger demand for disabled people," says Joseph H. Owens, executive director of the Council of State Administrators of Vocational Rehabilitation. Another expert in the field says the 4,000 voc-rehab agencies—most are private—have been criticized for not providing enough qualified disabled workers.

Starting salaries

For example, after a nine-month computer training program for the severely disabled in New Haven, Conn., more than 100 job offers were posted for the 20 graduates. Starting salaries ranged from $12,500 to $19,000.

"The quality of training was such that the people had a choice of three or four jobs," says Thomas J. Fleming, director of Projects With Industry, a federal program.

Funded through the Rehabilitation Services Administration of the Department of Health, Education and Welfare, Projects With Industry sets up training for the disabled and then withdraws.

Advisory council

Industry is involved from the beginning via an advisory council of business people. This council decides what kinds of personnel business in a given area needs, designs programs for the disabled to meet those needs, and sees that the graduates find jobs. In most cases, the jobs are available before the training ends.

The computer program was designed by IBM and the Rehabilitation Services Administration. A Yale University professor was hired to teach the class, and work stations were redesigned to aid the disabled students, some of whom are partially paralyzed.

Another government-funded program is the National Technical Institute for the Deaf in Rochester, N. Y.

Students are trained for careers in business, computers, engineering, graphic arts, and photo, optical, and medical laboratories. Last year, the institute had a full-time enrollment of 900 students.

To date, 95 percent of the institute's graduates have found jobs. Of that number, 84 percent have been hired by private firms.

In Florida, with the assistance of the National Restaurant Association, Projects With Industry is training the mentally retarded to work in restaurants.

Mr. Fleming says employee turnover in the restaurant industry is about 400 percent. "Restaurants are constantly needing people," he says. "Mentally retarded workers do very well in restaurants. The purpose of an industry is to make a profit, and industry will hire someone if she or he can do the job, despite a handicap."

A Projects With Industry effort with the AFL-CIO has trained and found jobs for more than 300 disabled workers in the past year.

Mr. Fleming says target cost per placement, which includes training expenses, is $1,000. Thus far placement cost has been kept at or below that figure. He calls Projects With Industry the most cost-effective program yet devised for handicapped people.

Funding increased

It began in fiscal 1968 as a pilot program, funded at $1 million a year. In fiscal 1977, funding was increased to $3.6 million, and in fiscal 1978, it went up to $4.5 million, its present level. Last year, more than 4,500 disabled people went through the program and are now in unsubsidized jobs.

"The real key to the entire program



Joe R. Purdy (right), a C&P Telephone Co. supervisor, talks in sign language with deaf employee Marvin J. Evink, Jr. Mr. Purdy took a sign language course.

Dr. Frank G. Bowe—who is deaf—talks on the phone with help from an aide. His organization will help businesses to comply with laws on the handicapped.



is private industry," says Mr. Fleming.

Individual firms, large and small, working through civic organizations or on their own, have found ways to train and hire people with all kinds of handicaps.

Elizabeth Cleghorn, president and founder of Richmond Combined Enterprises Inc., of Richmond, Ind., says the handicapped "are the best people on earth to hire. They take great pride in the quality of their work. Many of them feel this is the first time they have had the opportunity to do quality work, and they also have a chance to be independent."

Her company, which manufactures wire harnesses for electronic products, has 55 production employees. Of that number, 52 are disabled, says Mrs. Cleghorn.

Robert Stuart, chairman of the National Can Corp., is a former president of the Chicago Rotary Club, which has worked for years with the Rehabilitation Institute of Chicago, a private hospital, to help the disabled.

"After rehabilitation, many adults could not go back to their previous occupations, so the members of the Rotary Club got involved in retraining them for new careers," says Mr. Stuart. Since the program began two years ago, about 100 disabled people have found jobs with the help of the Chicago Rotary Club.

Mr. Stuart says the effort to help the disabled has expanded to 45 Rotary clubs and involves about 2,500 business and professional people, "all representing different firms, which provide different opportunities.



Many managers will feel uncomfortable dealing with the handicapped because they're not used to it, says affirmative action specialist Ted Brosnan.

"Industry can rechannel disabled people into new careers. I don't think government can really do that," says Mr. Stuart.

"We find that disabled people are preferable employees. They have a lower absentee record, higher dedication of performance, and quality output. This is true in the whole range of jobs. If the disabled are matched with jobs they can perform and want, they often outperform nondisabled people in the same jobs."

The Lions help

Lions International also has helped the disabled through various eye programs which began years ago. Besides eye banks, the major effort involves screening examinations and procuring glasses. Some Lions Clubs are now beginning to branch into hearing programs.

The Bulova Watch Co. began helping and hiring the handicapped during World War II.

In 1944, ground was broken in Woodside, N. Y., for the Joseph Bulova School of Watchmaking to help returning disabled veterans. The inscription on the school's cornerstone reads: "To Serve Those Who Served Us."

Using entirely private funding, much of it Bulova money, the school



Sen. Jennings Randolph (D.-W. Va.) coauthored a law which opened the doors for blind vendors in federal facilities.

has produced about 1,400 graduates. In 1950, disabled civilians were enrolled.

About 15 percent of the work force at GPK Products, Inc., of Fargo, N. D., which manufactures plastic sewer fittings, is physically or mentally handicapped.

Good business

"When we were growing, disabled people would apply for a job, and we would say 'why not?' " says Donald S. Goering, general manager and part owner of GPK. "We hire people who are handicapped and treat them as normal people."

Mr. Goering says his disabled employees are good business. They usually require more training, "but once they've gotten into the groove, they're very dependable. That's worth a lot."

Hiring the disabled also helps nondisabled workers, says Mr. Goering. "It makes them appreciate that they aren't handicapped; it makes them happier with their own lives."

GPK Products was a finalist for the 1978 Small Business Employer of the Year award presented by the President's Committee on Employment of the Handicapped.

The now burgeoning awareness of the handicapped worker's potential was almost nonexistent at the outset of this decade. Instead, most public and private agencies and most people had a paternal attitude toward the disabled.

This attitude was reflected by well-meaning relatives who often sheltered handicapped children and adults at home out of public view. Because of this, no one is sure how many handicapped people there are in the United States. The usual estimate is about 36 million.

Out of reach

Many people think of the handicapped in terms of a wheelchair, cane, sign language, or braille, but the term includes those suffering from heart disease, emphysema, arthritis, and many other ills, even most recently, victims of alcohol abuse.

Until the 1970s, the handicapped person's chances of living a normal life were negligible. For many, any meaningful employment was usually out of reach. "It was natural for business to ask why it should employ someone whose hearing was impaired, whose eyesight was inadequate, or whose mobility was impeded," says Sen. Jennings Randolph (D.-W.Va.), chairman of the Senate Human Resources and Labor subcommittee on the handicapped.

The senator, a longtime champion of the handicapped, co-authored the Randolph-Sheppard Act in 1936 which set up the mechanism that has installed hundreds of blind vendors in federal facilities.

One result of the withdrawal of the handicapped from society was that many received little or no formal education. In the early 1970s, Congress enacted the Education for All Handicapped Children Act, which is "sort of a bill of rights that all kids be given an equal education," says Jack G. Duncan, staff director of the House Education and Labor Subcommittee on select education.

Covers all firms

In 1973, Congress enacted the Rehabilitation Act; Title V prohibits discrimination against the disabled by any entity that receives federal money. Mr. Duncan says "there are few businesses that don't rely directly or indirectly on federal money," so the act covers almost all firms.

Donald Elisburg, assistant secretary of labor for employment standards, says equal employment opportunity for minority groups and females "has become relatively mature," but with the handicapped, "we're in the earlier stages.

However, there is clearly a substantial increase in awareness in the business community and among the general public that the disabled are potentially a very productive part of our society."

Mr. Elisburg, whose agency enforces portions of the Rehabilitation Act, points out that, for many years, hiring the handicapped was voluntary, "but pure voluntarism can only go so far. The 1973 act moved the effort from volunteer to mandatory and generated awareness among private employers.

"The majority of employers and employer groups has been extremely sensitive to the needs of the handicapped," he adds.

Dependable workers

Robert R. Humphreys, commissioner of the Rehabilitation Services Administration, says: "We've only begun to scratch the surface of the business community.

"We need to strengthen the partnership between business and the handicapped, to make business aware that the handicapped are dependable and are able, in many cases, to perform better than the average worker."

Mr. Humphreys, whose agency oversees the laws governing the nationwide network of state vocational-rehabilitation agencies, says: "There has been an inadequate emphasis on placement of the disabled in jobs." He adds that state voc-rehab agencies are increasing efforts to find jobs for the disabled, "but they could do more."

The major target in finding jobs for the disabled is private business, which faces myriad laws requiring affirmative action for the disabled and equal access to job facilities.

"The laws can be overwhelming," says one expert in the field. He adds, however, "that employers should not be afraid of taking the first step. All they need to do is get together with the disabled in their community—and it begins."

Businesses can contact their state voc-rehab agencies or local private organizations for help.

There also are several national organizations that will assist businesses in complying with the various laws. One organization, headquartered in Washington, D.C., is the American Coalition of Citizens with Disabilities, headed by Dr. Frank G. Bowe.

Inadequate assistance

He says the federal government has become serious about enforcing the laws on the handicapped, "but this has not been accompanied by adequate assistance.

"There is increasing government



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Can-Do Approach Disables Dystrophy

Geraldine J. Skermetta owned two beauty shops and a barbershop in San Antonio, Texas, by the time she was 35. Then she developed muscular dystrophy, the disease that deteriorates the muscles.

In a few years, she was physically unable to work.

"I hired managers, but it wasn't the old personal touch," she says. The struggle to control her business ended a year ago. She sold out and retired to her apartment and two dogs.

"I was bitter and hurt," she says, "but then I adjusted to the fact that there are some things I can do."

Ms. Skermetta enjoyed walking her dogs, "but I had to clean up behind the animals, and I couldn't bend over." Faced with this dilemma, she came up with an idea that she has since transformed into a product called Catch-A-Doo.

The name describes the purpose. The bucket-like apparatus is made of plastic and has a long handle and triggers which operate upper and lower flaps of the bucket.

But coming up with an idea and marketing it are two different things. Ms. Skermetta had formed a company, Skermetta, Inc., of Universal City, a suburb of San Antonio, but had problems marketing her product. Catch-A-Doo is now selling through several outlets, and Ms. Skermetta says national firms are beginning to express an interest in it.



Geraldine J. Skermetta

One of her dreams is to help people who have ideas for products but lack the means to market them. "If the company gets going and we can put some money away, then we could help anyone who comes up with a marketable idea."

She says faith is the main ingredient that has kept her going.

"At times, in my mind, I kind of play games with myself. I used to have the strength to move my refrigerator, which is on casters, but I can't move it anymore.

"In my mind, however, I feel I can move it. I'm ever hopeful. My determination has kept me going."

pressure, but no technical help. So business is caught in the middle. There is a very real gap."

For employers, the first steps are the hardest.

"How do you get your interviewers to interview a deaf person? What kind of employment test do you administer to someone with no arms or legs?" asks Ted Brosnan, a C&P Telephone Co. staff consultant who coordinates affirmative action programs for the disabled.

"Handicapped people haven't been that visible in our society. Many supervisors and managers will feel uncomfortable dealing with the handicapped because they are not used to them," he says.

The C&P Telephone Co. has 14,000 employees in the Washington metropolitan area, of whom several hundred are handicapped.

The company's affirmative action for the handicapped ranges from installing a teletype machine for use by deaf people to offering a sign language course for supervisors and managers. Mr. Brosnan says attendance at the ten-week sign language course has been very good.

One C&P supervisor who attended is Joe R. Purdy, who acts as interpreter for the several deaf people in his office. One of them is Mr. Evink, the business order reviewer recently promoted. Mr. Purdy interpreted when NATION'S BUSINESS interviewed Mr. Evink.

While firms that have aided the handicapped abound, much more needs to be done, says Dr. Bowe.

He estimates that more than 7.5 million disabled people have dropped out of the labor force. Their combined income and medical support from all public and private sources total about $150 billion a year. By 1980, the cost will be more than $200 billion a year.

Dr. Bowe, whose organization represents 70 associations that deal with the disabled, believes that by investing several billion dollars a year over the next few years, "the government can drastically reduce this cost."

The first step involves educating disabled individuals in need, which he estimates will cost $1 billion.

Next, Dr. Bowe says, the 7.6 million disabled need to be rehabilitated, medically and vocationally. This expense will amount to $1.5 billion.

Remove barriers

The third step is to remove barriers. "If you're going to get the disabled to work, barriers must be removed," he says. Removal will cost $2 billion a year for the next six years.

The fourth step is to invest more in research to prevent disabilities. Dr. Bowe says about $1 billion a year should be spent on research into medicines to attack crippling diseases and methods to improve product safety.

"We also need to apply research to items now collecting dust on the shelves," he says. One example is a machine for the blind that translates typed or written material into oral communication. Only about 1,000 of these have been produced, but increased production would reduce the cost of each machine, save money now spent to hire readers, and increase productivity of the blind.

The fifth step involves the community, which must learn to accept the disabled. That will cost nothing but human willingness, says Dr. Bowe.

Face to face

An annual report on the Rehabilitation Act prepared by HEW says that there are more than ten million people in the United States with the most severe handicaps. "More than four million of these people are between the ages of 18 and 64, the prime working years," the report says.

Mr. Duncan, of the House select education subcommittee, says: "Everybody is for the disabled until they have to confront them face to face. If we can get people not to be afraid of the disabled, our whole society will be strengthened."

"Most disabled people want to be independent, they want to get off the welfare rolls and get to work," says Dr. Bowe, who is deaf. "Disabled people don't want to be taken care of; they want to take care of themselves. Business can help them do that." □

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EDITORIAL

Of Red Herrings and Real Profits

PRESIDENT CARTER'S PLAN for combating inflation was fatally flawed from the beginning because it failed to distinguish the symptoms of inflation from the causes.

The principal causes of inflation are governmental policies that drive up costs without regard for higher value or increased productivity, leading inevitably to higher prices and wages.

Now, the administration's anti-inflation program faces economic and political failure. Rather than recognize that the plan was inadequate initially, Alfred E. Kahn, chairman of the Council on Wage and Price Stability, is trying to blame American business for the miscalculations. Inflation is worsening, he claims, because too many businesses are raising prices too fast. He threatens to name the companies he thinks are in that category.

It is sad to see the administration resorting to threats of economic blackmail. But if Mr. Kahn carries through, he should be fair about it. If he names a company whose prices he thinks are too high, he must at the same time disclose how much of that company's costs are incurred under direct orders from the federal government.

He must list how much that company pays in taxes, including social security and unemployment compensation. He must show how much it costs that company to meet the staggering economic burdens of government regulations and the accompanying paperwork. He must show how much that company is spending for workers' compensation and other benefits the government requires.

He must show how that company's wage costs have gone up because of the minimum-wage laws, how energy costs have skyrocketed because of Washington's inability to implement a coherent national energy policy, and how interest rates have risen because of federal deficits.

Only that kind of full disclosure will give a true picture of what businesses must consider in setting prices.

On the other hand, full disclosure might reveal a lot more than some government officials think the public should know.

For example, the profits being assailed by administration and labor leaders are illusory.

Take the case of General Motors. Despite all the furor over record-breaking profits, GM's 1978 profit margin was 5.5 percent last year, down from 6.1 percent the year before and 6.7 percent in 1973. Inflation, which takes its toll on the lowest-paid industrial worker and smaller businesses, is equally harsh on the world's largest industrial corporation.

As GM says in its 1978 annual report: "It is generally recognized that the purchasing power of a dollar has deteriorated in recent years.... It is not as generally recognized, however, that profit dollars are subject to the same degree of reduction in purchasing power. Far too much attention is given to the absolute level of profits rather than the relation of profits to other factors in the business and to the general price level."

Assailing profits as excessive and inflationary is patently a red herring, and a poorly smoked one at that. The American people are not going to be fooled by only the scent of a solution. They want the real thing—an anti-inflation program that frees the marketplace from the regulatory nets of government. □

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